Financial Consumer Agency of Canada
Agence de la consommation en matière financière du Canada

FCAC ANNUAL REPORT 2011–2012

Canada

INSIDE

FCAC: THE FIRST 10 YEARS 1

MESSAGE FROM THE COMMISSIONER 3

WHO WE ARE 6

OUR PROGRAMS 11

- The year in numbers 11
- Consumer Information and Development of Financial Skills 13
- Compliance Supervision and Enforcement 23
- Internal Services 27

THE NUMBERS 29

FINANCIAL HIGHLIGHTS 42

FINANCIAL STATEMENTS 44

HOW TO REACH US 80

ABOUT THIS REPORT

This annual report presents the performance results and major initiatives of the Financial Consumer Agency of Canada (FCAC, or the Agency) for the fiscal year April 1, 2011, to March 31, 2012.

Format

This report has been produced in accessible PDF format. It includes interactive elements to make the reading experience more dynamic and engaging. For example, there are links to multimedia content and various sections of FCAC's website which allow readers to explore FCAC programs, products and services in more detail.

References

All references in this report to "2011–12" mean the period from April 1, 2011, to March 31, 2012.

All references to "financial institutions," "financial entities" or "regulated entities" mean those that are federally regulated and are therefore supervised by the Agency.

- **"Financial institutions"** include all banks and federally incorporated or registered insurance, trust and loan companies and retail associations.

- **"Financial entities"** include all federally regulated financial institutions, as well as payment card network operators and other institutions and organizations that fall under FCAC's oversight.

All references to "consumer provisions" mean the various consumer-related laws and regulations that apply to the entities we regulate.

OUR VISION

Empowering Canadian financial consumers
and **promoting** responsible financial market conduct

More than ever before, it is crucial that Canadians be empowered and engaged in managing their money, exploring the financial marketplace and dealing with financial entities.

Empowering
Canadian
financial
consumers

Promoting
responsible
financial market
conduct

FCAC: THE FIRST 10 YEARS

2001

FCAC opens on October 24, 2001 1st Commissioner: Bill Knight

Issue first report card on credit card costs

2002

Compliance framework comes into effect

Publish *Consumer's Guide to Basic Banking Services* to help Canadians understand the costs of banking

2003

Host first-ever International Forum on Financial Consumer Education and Production

First annual examination of financial institutions

Complete two industry reviews on credit card disclosures and complaint-handling procedures

First Commissioner's Decision to consider plain-language consumer provision

2004

Website expands with consumer alerts, mortgage toolkit and credit card guide

Compliance Framework updated

2005

Co-host *Canadians and Their Money* – first ever national symposium on ways to improve financial capability, and publish summary report

Commissioner's Decision: Full disclosure must be made to all borrowers, including co-borrowers

2006

11 new consumer publications on topics from lines of credit to RESPs

2007

Federal government grants $3 million to FCAC to spearhead Financial Literacy imitative to help Canadians make more informed decisions

Develop industry guidance for basic banking services

2008

Begin work to update Compliance Framework and shift to risk-based supervisory approach

New Commissioner: Ursula Menke

Flagship program, *The City: A Financial Life Skills Resource*, launched in partnership with BC Securities Commission

Co-host Canadian financial literacy conference, *Reaching Higher*, in Montréal and publish follow-up report summarizing themes

2009

Begin to regulate payment card network operators

Create *Clear Language and Presentation Principles and Guidelines* to improve how FCAC and the financial industry communicate with Canadians

2010

Receive Public Service Award of Excellence for developing *The City*

Commissioner imposes first maximum administrative monetary penalty

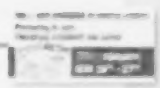
New Research Division strengthens capacity to study consumer issues

Design and pilot *Financial Basics* program for young adults in collaboration with the Investor Education Fund and journalist Ellen Roseman

Create External Stakeholder Advisory Committee for input on consumer financial issues

Launch revamped website with fresh design and new features

2011



Co-host 3rd global financial literacy conference in Toronto

FCAC goes social with presence on Twitter and YouTube

10th anniversary! Thank you to all our employees and partners

MESSAGE FROM THE COMMISSIONER

Celebrating 10 years of serving financial consumers

Ursula Menke
Commissioner, FCAC

In 2011, FCAC celebrated its 10th anniversary. This milestone is an opportunity to reflect on the past year and how the Agency has matured since its inception. FCAC has been a driving force in educating consumers about the financial world. By championing and safeguarding vital consumer rights, we have given a powerful voice to Canadians in their relationships with financial institutions. And we have built an agency known for collaboration, creativity and efficiency in serving Canadians.

Empowering Canadian financial consumers

Our priority is to help Canadians make better financial decisions. To do this, we deliver objective, easy-to-understand information. We have long emphasized that financial knowledge is the catalyst for consumer empowerment. As inaugural FCAC Commissioner Bill Knight stated in the Agency's first annual report, "By educating consumers, by giving them the right financial information, at the right time, consumers will be empowered to make the right decisions."

FCAC started with the basics, providing helpful brochures on banking services, credit cards and consumer rights. Over the years we've taken on a much broader calling, expanding our scope to help build Canadians' overall financial literacy. I am especially proud of our finance-related learning program for youth, *The City*, launched in 2008 in partnership with the British Columbia Securities Commission. In 2011–12, we continued to respond to Canadians' information needs by coordinating the country's first-ever Financial Literacy Month. We also introduced an educational series on key life events, such as moving out on your own, living as a couple and planning for retirement.

The result is that today FCAC is a leading source of objective financial information. We offer more than 60 interactive tools, publications and programs free of charge. These have been requested or downloaded in the hundreds of thousands. And our Consumer Services Centre answers an average of more than 24,000 consumer inquiries each year.

Financial literacy has gained tremendous momentum in Canada and around the world since our founding. With its network of key stakeholders at the national and international levels, FCAC has played a significant role in developing and sustaining this momentum, and has contributed to the lifelong financial security of Canadians.

Promoting responsible financial market conduct

In its capacity as a regulator, FCAC has been vigilant in monitoring the federally regulated financial sector. From 2001 to 2011, the Agency conducted nearly 10,000 investigations of financial institutions on compliance issues. The focus ranged from inadequate product disclosure to improper interest charges on credit cards. As a result of this work, individual financial entities have taken corrective actions and the industry as a whole has adopted many systemic improvements with far-reaching benefits for financial consumers.

Of course, making sure that financial entities comply fully with legislation and industry commitments is only one aspect of our work. We have also proactively encouraged industry members to adopt consumer best practices—for example, voluntary procedures for payment card network operators to handle complaints related to the credit and debit card code. FCAC has long advocated for clearer, better communications by financial institutions, with the aim of helping the public make informed purchasing decisions. Our efforts have resulted in simpler, user-friendly mortgage documents and credit card statements.

"...our 10 year track record has helped FCAC earn added stature and respect. It is gratifying to know that the Agency is acknowledged as a leader..."

FCAC has come of age

As we take stock of how the Agency has progressed, we can clearly recognize that FCAC has come of age. I see this in the way our relationships have matured and strengthened with financial institutions, partners and financial consumers. I also see this in our confidence in ourselves as an organization: our 10 year track record has helped FCAC earn added stature and respect. It is gratifying to know that the Agency is acknowledged as a leader in its supervisory approach in global forums, such as the International Network of Financial Education and the International Financial Consumer Protection Network.

At the same time, we have always prided ourselves on being a modern, hands-on regulator. We strive to be pioneering in our thinking, proactive in our approach and efficient in our execution. We are in the vanguard of consumer education and protection. And we have advanced with the times to embrace opportunities resulting from regulatory changes, an ever-evolving financial marketplace and new technology. For example:

- In response to recent economic turbulence, we stepped up our educational efforts to meet Canadians' need for financial guidance.

"By keeping watch over the financial sector, by familiarizing consumers with their rights and responsibilities, and by enhancing their knowledge of money matters, we have made a lasting impact on the lives and financial well-being of many Canadians."

- We were one of the first federal agencies to make extensive use of social media as a way to connect with Canadians and raise awareness of sound money management.

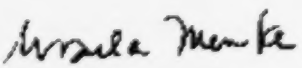
- Our compliance responsibilities have expanded to include supervising payment card network operators and enforcing new consumer protection measures. In supervising financial entities, we started with a complaint-based approach but this has evolved into a risk-based approach, allowing us to be more targeted and effective in our oversight activities.

Strengthening our legacy

Our accomplishments during our first decade of operations demonstrate that FCAC is a highly valuable resource for Canadians. By keeping watch over the financial sector, by familiarizing consumers with their rights and responsibilities, and by enhancing their knowledge of money matters, we have made a lasting impact on the lives and financial well-being of many Canadians.

Our success derives from the dedication of a great many. I am extremely proud of our team members, and I would like to thank them for their spirited contribution to the Agency's success. I also want to acknowledge our many external partners and stakeholders across the country: they help us carry out our initiatives, providing the essential reach and support at the grassroots level.

Over its short history, FCAC has distinguished itself as a Canadian and global leader in the education and protection of financial consumers. We look forward to strengthening that legacy in the years to come.



Ursula Menke
Commissioner

WHO WE ARE

FCAC is a leading source of objective financial information for Canadians. We also ensure that financial entities comply with legislation and industry commitments intended to protect consumers.

Our role and mandate

We are an independent federal government body with a dual mandate: **education** and **compliance**.

Under our education mandate, we offer and promote consumer information about financial products, services and issues. We also help Canadians of all ages build their financial skills.

Under our compliance mandate and in our capacity as regulator, we oversee consumer protection measures in the federally regulated financial sector.

Watch video: FCAC Celebrates its 10th Anniversary

Related links

This report:
- Consumer Education and Financial Literacy
- Compliance Supervision and Enforcement

FCAC website:
- Our mandate

"We are convinced that our achievements over the years result from two things: the passion with which our employees execute their mandate, and the excellence of their work product."

—Lucie Tedesco
Deputy Commissioner, FCAC

Role and mandate

Education	Compliance
Promote public awareness of the obligations of financial institutions and payment card network operators to consumers and merchants, and awareness of all matters related to financial consumer protection.	Supervise financial institutions and payment card network operators to ensure that they comply with applicable federal consumer laws, voluntary codes of conduct and public commitments.
•	•
In cooperation with other organizations, foster consumer understanding of financial services and related issues.	Promote adoption of consumer-centred compliance measures.

Our organizational structure

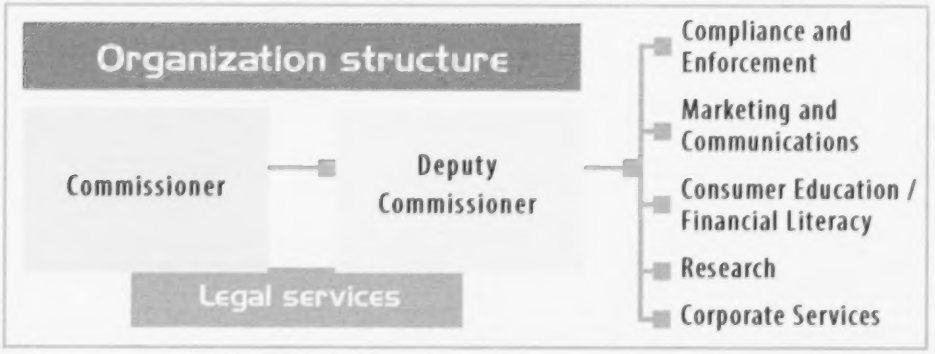
The **Executive Division** includes the Commissioner, the Deputy Commissioner and support staff. It sets FCAC's strategies and priorities, provides leadership and direction, and determines compliance enforcement measures.

The **Legal Services Division** consists of one senior counsel from the Department of Justice Canada, who provides legal research, advice and support.

The **Compliance and Enforcement Division** handles the Agency's compliance activities. These include monitoring and investigating compliance issues, undertaking annual and on-site examinations, performing industry reviews of specific compliance issues, and reporting compliance matters to the Commissioner. In addition, the division assists financial entities in their efforts to correct contraventions, and encourages them to develop policies and procedures to implement the consumer provisions, voluntary codes of conduct and public commitments that apply to them.

The **Consumer Education and Financial Literacy Division** develops and offers educational materials, tools and programs to help Canadians of all ages understand money matters and build their financial skills. The division partners with other organizations in the public, private and not-for-profit sectors to disseminate FCAC resources and highlight financial literacy initiatives available across Canada.

The **Corporate Services Division** supports the Agency's activities by providing services and expertise in various areas, including corporate planning, financial management, risk management, security, information management and technology (IM/IT), and program evaluation.



The **Marketing and Communications Division** manages FCAC's outreach programs, promotional activities (e.g. advertising, marketing campaigns) and public communications channels, including the Agency's Consumer Services Centre and website. The division also handles communications with the media (traditional and social platforms), publications design, and information exchanges with the financial industry on issues of mutual concern.

The **Research Division** proactively identifies, monitors and evaluates trends and emerging issues that might have an impact on financial consumers. The division recommends action by FCAC and/or policy-makers, as appropriate, to educate consumers, protect their rights and inform them about their responsibilities.

Resources and expenditures

The Financial resources table compares actual and planned spending over the past three fiscal years. It includes funding of $2 million for FCAC's Financial Literacy program. In its February 2008 budget, the Government of Canada provided for the Agency to receive ongoing funding of that amount per fiscal year as continuous support for the program.

Overall expenditures were higher in 2011–12 than in 2010–11, mainly because of an increase in human resources costs and additional investments in accommodation and technology infrastructure. The costs increase related to human resources is, in large part, the result of the multi-year staffing plan related to FCAC's expanded mandate, which began in the second quarter of fiscal year 2010–11. The Government of Canada expanded our mandate by adding the following new responsibilities:

Human resources (Full-time equivalents)

Fiscal year	Planned	Actual
2011–12	69.6	69.6
2010–11	59.6	59.6
2009–10	53.0	53.0

Financial resources ($ millions)

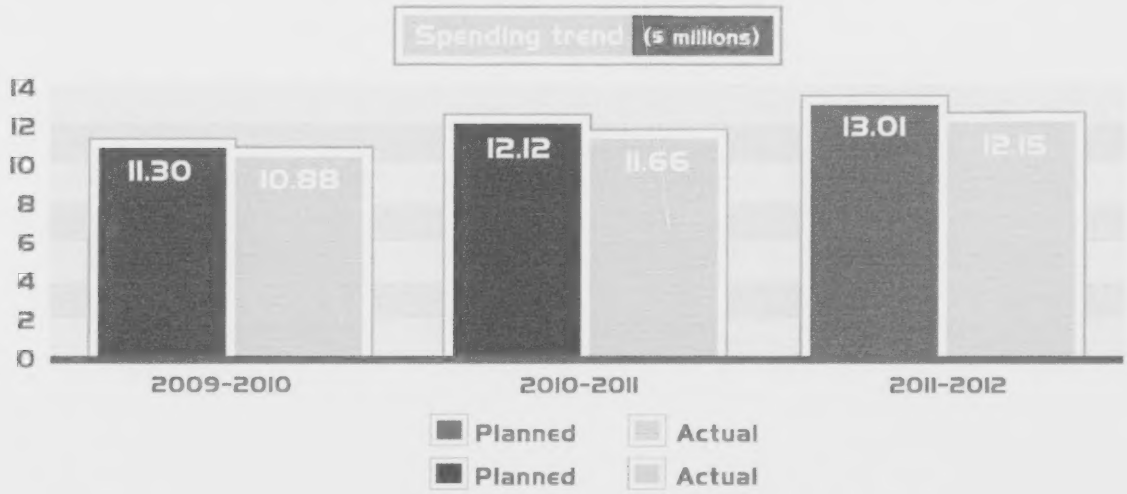
Fiscal year	Planned	Actual
2011–12	13.01	12.15
2010–11	12.12	11.66
2009–10	11.30	10.88

- undertaking research on emerging trends and issues that might affect financial consumers;
- supervising payment card network operators in addition to the entities already under FCAC's oversight.

Costs related to accommodations increased in 2011–12 due to expenses related to leasing additional space and the amortization of building improvements, furniture and equipment. Additional space was required to accommodate new employees hired as part of the expanded mandate and to relocate the Consumer Services Centre in-house.

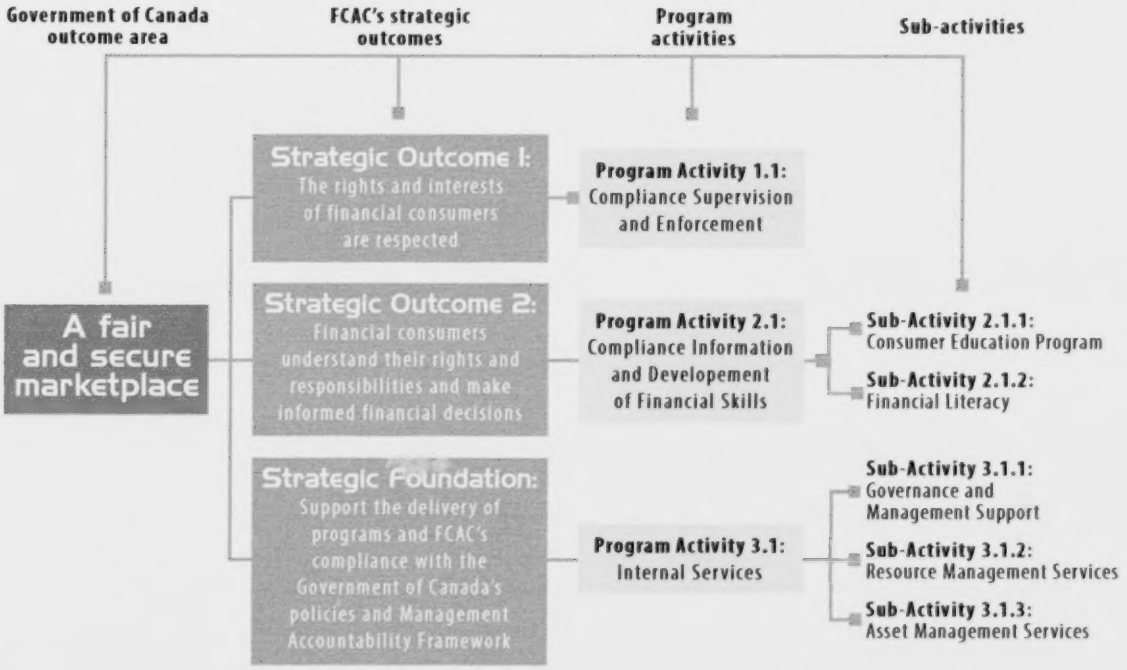
Actual expenses were lower than the planned budget mainly because of unforeseen human resources vacancies, delays in the development of one of our educational resources and the cancellation of some promotional activities.

For further information on FCAC's expenditures in 2011–12, please see the Financial Statements.



Program activity architecture

The diagram below illustrates FCAC's framework of program activities and sub-activities. This structure allows us to effectively pursue our mandate and strategic outcomes, while contributing to the Government of Canada's objective of fostering a fair and secure marketplace.


Government of Canada outcome area
FCAC's strategic outcomes
Program activities
Sub-activities
A fair and secure marketplace
Strategic Outcome 1:
The rights and interests of financial consumers are respected
Program Activity 1.1:
Compliance Supervision and Enforcement
Strategic Outcome 2:
Financial consumers understand their rights and responsibilities and make informed financial decisions
Program Activity 2.1:
Compliance Information and Developement of Financial Skills
Sub-Activity 2.1.1:
Consumer Education Program
Sub-Activity 2.1.2:
Financial Literacy
Strategic Foundation:
Support the delivery of programs and FCAC's compliance with the Government of Canada's policies and Management Accountability Framework
Program Activity 3.1:
Internal Services
Sub-Activity 3.1.1:
Governance and Management Support
Sub-Activity 3.1.2:
Resource Management Services
Sub-Activity 3.1.3:
Asset Management Services

The Year in Numbers

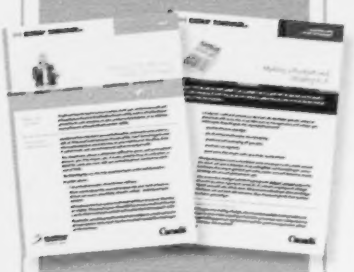
60+ free resources
available to help Canadians build their financial knowledge, skills and confidence

380 institutions
regulated to ensure compliance with federal laws and industry commitments created to protect financial consumers

69
employees

1,400 followers
on Twitter and over 450,000 users reached

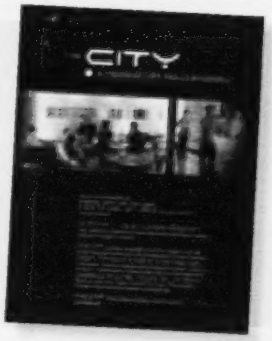
640,000
Web visits



4/5
Average consumer satisfaction rating of FCAC materials

798 mentions
in Canadian publications and news sites, generating 46+ million impressions

16,641
new student and teacher registrations for *The City*, FCAC's financial literacy program for youth



96% of participants rated FCAC's global financial literacy conference from good to excellent

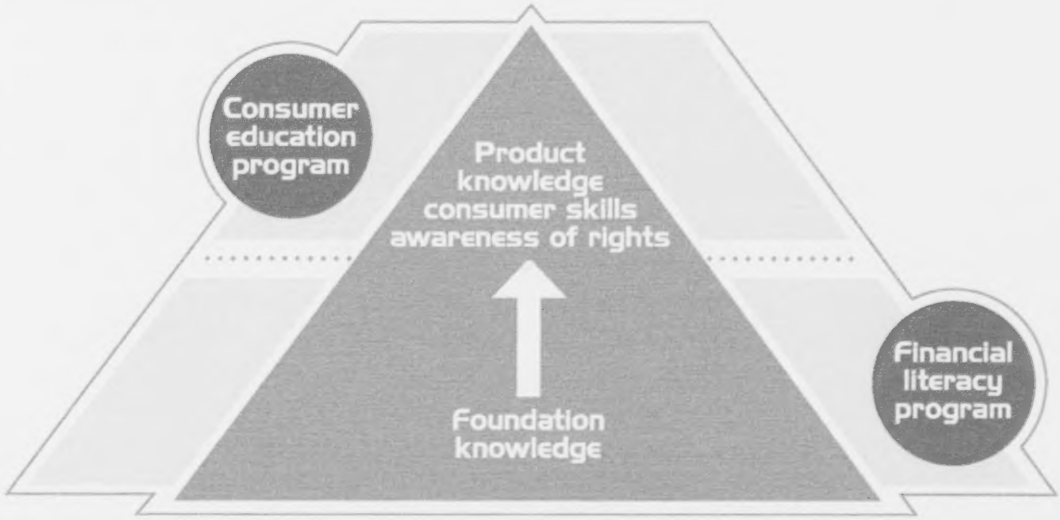
700+
teachers trained to deliver financial subject matter to their students

1,268
cases investigated for potential compliance breaches

Note: data for FCAC's 2011–12 fiscal year, as at March 31, 2012 unless noted otherwise.

CONSUMER INFORMATION AND DEVELOPMENT OF FINANCIAL SKILLS

FCAC believes that financial knowledge, skills and confidence are key factors for empowering and engaging Canadians in the marketplace. That belief drives the work we do through our Consumer Information and Development of Financial Skills program and its two priority areas: Consumer Education and Financial Literacy.



FCAC IN THE NEWS

In 2011–12, FCAC received significant media exposure from coast to coast.

Through press and social media releases, byline articles, feature stories, letters to the editor, and radio, television and print interviews, we contributed to 798 media mentions. These in turn generated more than 46 million impressions in Canadian publications and news sites. The most covered stories related to financial literacy, loans, credit cards and fraud prevention. FCAC articles were issued via News Canada, a leading provider of content to the media. The articles were published 325 times and reached nearly 20 million readers.

EXAMPLES OF FCAC MEDIA MENTIONS

CONSUMER EDUCATION

In the area of consumer education, FCAC offers Canadians objective information about financial products and services, while raising awareness of consumer rights and responsibilities in the financial marketplace. Activities include:

- developing and distributing information in print and online formats;
- collaborating with public, private and not-for-profit organizations across the country to reach as many Canadians as possible;
- building solid relationships with the media, enabling us to share financial information quickly and cost-effectively; and
- maintaining a Consumer Services Centre, with a team that responds to Canadians' questions about financial products, services and issues.

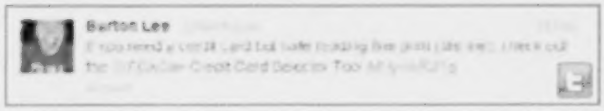
RELATED LINKS

This report:
- Performance summary—Consumer Education

FCAC website:
- For consumers
- Your rights and responsibilities

PERFORMANCE

In 2011–12, we continued to have a positive impact by familiarizing Canadians with their financial rights, and helping them understand the financial products and services they use.



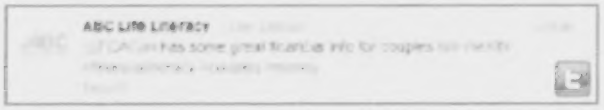
Overall, consumers made increased use of FCAC's resources in the year. For example, our website is the centrepiece of our consumer education drive. We are pleased that in 2011–12 it attracted the attention of more Canadians, and for longer periods. Web visits numbered 640,100, up 12 percent from the previous year, with a 3 percent growth in average visit duration. Consumer satisfaction with FCAC materials remained high: the average feedback rating was 4.09 out of 5, exceeding our target of 3.5.

For more detailed results, please see the performance summary on page 35.

MAJOR INITIATIVES

- **Life Events information series**

During 2011–12, we introduced FCAC's Life Events series. This gives Canadians information on important life milestones and decision points, when the need for financial knowledge is crucial. By year-end, we had provided content on eight life events, ranging from *Paying for Post-Secondary Education* to *Living as a Couple* to *Planning Your Retirement*. Retirement was also the focus of several planning resources, including an online worksheet that helps consumers compare current spending patterns with expected spending in retirement.



- **Website renewal**

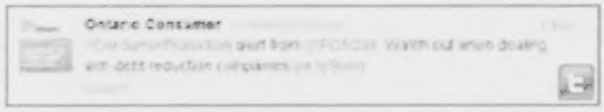
  Featuring an extensive redesign, fresh content and multimedia applications, FCAC's new website went live in May 2011. The site is highly interactive and audience-focused. Visitors will appreciate improvements to news, navigation, search tools, consumer alerts and more.

- **Review of consumer materials**

  Two years ago, we launched a major review of our consumer education materials to ensure that they meet FCAC's clear language and presentation principles. The review was completed in 2011–12. Also in the past year, we analyzed all of our publications and Web information to identify and address information gaps related to consumers' financial rights.

- **New learning resources**

  FCAC continues to expand its catalogue of consumer education resources. In addition to content developed for the Life Events series, other materials launched in 2011–12 included a tip sheet on payday loans, a consumer alert about debt reduction companies, FAQs about mortgage prepayment charges and information on consumer rights related to three new regulations.



Watch video: FCAC produced short videos like this one on staying out of debt and being informed before signing contracts.

- **Online videos**

  FCAC produced a series of online videos to bring key financial concepts to life. Topics included safeguarding your financial information, checking your credit report and saving for post-secondary education. We posted the videos on our website and YouTube page, and made them available to other agencies, partners and bloggers.

- **Community outreach**

  To promote FCAC as a leading source of financial information, we invested in community outreach across the country. For example:

  – We distributed more than 3,400 mortgage kits to real estate agents and mortgage brokers.
  – In exhibits at 15 mortgage industry and debt industry trade shows, we showcased FCAC's mortgage and debt toolkits.
  – In exhibits at 29 teachers' conferences or workshops, we profiled FCAC's financial education resources.
  – The Commissioner and other senior FCAC representatives spoke at 15 conferences and events.

- **Google Adwords campaign**

  For five months, our Google Adwords campaign steered Canadians to our online information, while increasing their awareness of FCAC. The campaign centred on four main categories of Google search terms: mortgages, debt, fraud and FCAC. The initiative brought 65,219 visitors to FCAC's website, representing 22 percent of all site visits during the time frame and exceeding our target of 37,000 visitors.

FCAC's Research team: keeping our radar trained on consumer issues

Our new Research Division was formed in 2010–11 and started operating in the past fiscal year. It is now providing FCAC with timely, valuable intelligence on consumer issues. Here are some of the research projects initiated and/or completed in 2011–12:

- We held Canada-wide consultations with stakeholders and partners to gather input for the development of FCAC's 2012–14 research plan.
- We conducted a survey to measure Canadians' knowledge of their rights and responsibilities as financial consumers. The results showed that Canadians' knowledge level has increased or remained stable since 2006.
- We launched an outcome evaluation study to identify the impact of FCAC's key education products on Canadians. On the basis of the findings, the Agency will be able to establish a process for implementing wide-ranging, rigorous and regular evaluation of our financial literacy products. We will also be able to test the financial literacy measures developed by the Task Force on Financial Literacy, launched by the federal government in 2009. What we learn will help shape subsequent iterations of Statistics Canada's Canadian Financial Capability Survey.
- We undertook an assessment of the media use and preferences of vulnerable communities, such as newcomers to Canada and Aboriginal persons living in urban environments. The findings will help FCAC better target these population segments.

The Research Division continues to support and coordinate the Governing Council of the International Financial Consumer Protection Network. Our participation ensures that FCAC is an integral part of knowledge exchange at the global level.

Benefits to Canadians

In 2011–12, FCAC produced the following benefits in the area of consumer education:

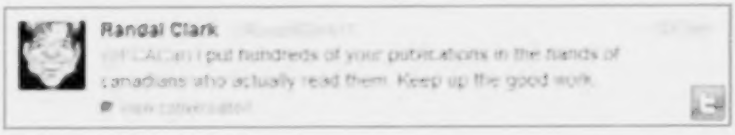
- Canadians from all walks of life were able to access free financial information through a variety of channels.
- More Canadians learned about their rights and responsibilities, and became better equipped to make informed financial decisions.
- Consumers and partners successfully engaged with FCAC in new ways through its social media tools and redesigned website. The results were stronger relationships, more open communications, quicker dissemination of information, and easier sharing of FCAC tips and messages.
- FCAC helped foster a more transparent, fair and secure financial services marketplace for Canadians.

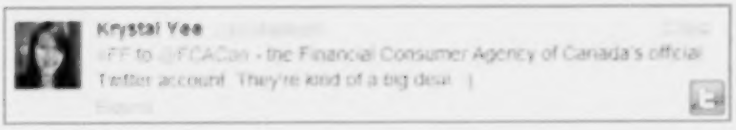
FCAC helps a business owner protect his rights

Enticed by a limited-time promotional offer, a small business owner in British Columbia signed a five-year agreement with a credit card company that had advertised a reduced rate on customers' credit and debit card transactions.

After an initial period, the business owner was surprised when his processing fees suddenly skyrocketed without notice. He later learned about the Code of Conduct for the Credit and Debit Card Industry in Canada; this commits payment card network operators to ensuring that merchants are made fully aware, in a manner that is clear and not misleading, of the costs of accepting credit and debit card payments. The business owner used FCAC's website to learn more about his rights and merchant responsibilities.

Armed with a better understanding, he contacted the credit card company to complain. He succeeded in getting the company to rectify the situation and, ultimately, respect his rights.


Randal Clark
@FCACan I put hundreds of your publications in the hands of
canadians who actually read them. Keep up the good work.



FINANCIAL LITERACY

FCAC's vision is to shape the next generation of Canadians so that they are more financially literate and have the knowledge, skills and confidence needed to make responsible financial decisions.

To achieve this long-term goal, FCAC has created a financial literacy initiative. It is a major endeavour targeting Canadians in general and young people in particular. Among its multiple components:

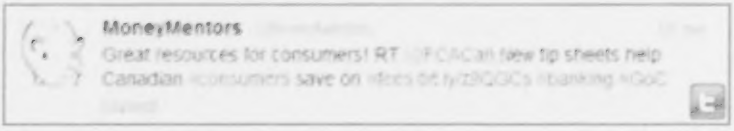
- With the British Columbia Securities Commission, we developed an 11-module learning program for youth (ages 15 to 18) and teachers, called *The City: A Financial Life Skills Resource*.
- We offer financial literacy workshops customized for different audiences.
- We provide free training to teachers and facilitators who want to improve their ability to use and deliver FCAC programs.

FCAC's financial literacy resources are used across Canada in learning institutions, by community groups and within workplaces. Our role in financial literacy continues to expand. We collaborate with more and more stakeholders to connect Canadians with financial literacy programs, services and tools. These are now available nationwide through many different organizations.

Performance

During 2011–12, FCAC continued to expand and promote the various components of our financial literacy initiative to reach new audiences. *The City* is in use in all of Canada's provinces and territories, and the majority of jurisdictions formally approved it for use in mandatory or elective courses. During the past year, there were 15,286 new student registrations for *The City*, along with 1,355 new teacher registrations. A total of 712 teachers received training on how to deliver the resource.

For more detailed results, please see the performance summary on page 38.


MoneyMentors
Great resources for consumers! RT @FCACan new tip sheets help
Canadian #consumers save on #fees at #CBOCs #banking #GIC

Related links

This report:
- Performance summary—Financial Literacy

FCAC website:
- Educational programs
- For educators and facilitators

"Reflecting our commitment to leadership in the financial literacy area, FCAC has been coordinating the efforts of the vast number of financial education stakeholders and program providers.

Through activities such as Financial Literacy Month, we are advancing awareness of numerous initiatives that Canadians can benefit from."

—Jane Rooney, Director Consumer Education and Financial Literacy, FCAC

Learn more about *The City* in this video.

Major initiatives

- ***The City***

Our focus in 2011–12 was on raising awareness and increasing use of *The City* within the Canadian school system and community-based organizations.

FCAC's Financial Literacy team continued to offer training and support to teachers wanting to bring the resource into their classrooms. The Commissioner met with officials from provincial education ministries and other organizations to encourage financial literacy instruction and promote *The City* as a learning support tool. FCAC also ran a targeted print and online advertising campaign; this included a nationwide contest where students had the chance to win one of three laptop computers.

To expand the reach of *The City* to youth at risk and youth outside the school system, we maintained a partnership with Social and Enterprise Development Innovations. The aim was to jointly create a train-the-trainer program and outreach plan for involving community groups in teaching financial life skills to young people. The pilot project reached a conclusion in May 2011; approximately 100 representatives from 77 organizations across Canada were trained and 850 young people completed the resource.

"It's an all-in-one resource that has made my job easier. I've had nothing but positive feedback from students, and I've had parents ask why financial lessons like this weren't taught when they were in school."

—Lucy Johnson,
Coaldale, Alberta,
is one of many teachers
across Canada using
The City in the classroom.

Registrations for The City*

	2011–12	Since 2008
Teachers	1,355	7,802
Students	15,286	50,200

* Online version. As of March 31, 2012.

Number of teachers trained*

	2011–12	Since 2008
Classroom training	618	1,600
Webinars	94	535
TOTAL	712	2,135

* As of March 31, 2012.

- **Financial Basics**

In 2010–11, we successfully piloted our *Financial Basics* workshop, developed in collaboration with the Investor Education Fund and financial author Ellen Roseman. In 2011–12, we made content modifications based on participant feedback. We once again partnered with the Association of Canadian Community Colleges to pilot a second phase of the workshop at five colleges. Approximately 105 participants received training, and their feedback was very positive. We also updated the workshop materials to incorporate changes in consumer protection regulations and information on student loans, and we posted the materials on FCAC's website for order and download.

Financial Basics	Materials distributed*
	2011–12
Participant handbooks	15,061
Presenter manuals	1,751

* As of March 31, 2012. Distributed in response to requests from post-secondary institutions, as well as community and private-sector organizations.

- ***MoneyApps***

MoneyApps is a shorter, modified version of *Financial Basics*. Its aim is to help graduating high school students manage their finances whether they enter the workforce, go on to post-secondary schooling, or join a training or apprenticeship program. In 2011–12, *MoneyApps* was delivered as a pilot project to nearly 400 Grade 12 students from the Toronto District School Board, the largest school board in Canada. FCAC is considering making it available to other school districts. Interest in continuing the program is very high in Ontario, especially because of the recent decision to include financial literacy in the province's education curriculum.

- **Collaboration with Partners for Youth**

FCAC is currently working with Partners for Youth, a non-profit organization, to develop a strategy aimed at teaching youth at risk about money matters through alternative high school programs.

"Fees and costs are a big 'wow' moment for students. They are amazed to find out the high costs of post-secondary education, of paying off a credit card balance when only the minimum payment is made, of getting a coffee every day. How all these costs add up to impact their wallets and futures."

—Jeff Balch,
Head of Business Studies at London South Collegiate Institute in Ontario, has incorporated *The City* into his Grade 10 business and career classes for several years.

A sampling of participant feedback on FCAC's national financial literacy conference:

"Very informative conference. It was exciting to see so many countries coming together sharing information in accomplishing a very important subject."

"A wealth of information that I can take back and use in my work—thank you!"

"Thought-provoking, interactive and excellent material."

"The organization of this conference was extraordinary and should be commended."

"Excellent presenters and very helpful information."

- **Workshops for northern Aboriginal communities**

  In collaboration with the Canadian Co-operative Association and Arctic Co-operatives Limited, FCAC developed and delivered pilot financial literacy workshops to northern Aboriginal communities. We will continue to work with our partners and reach out to other northern communities.

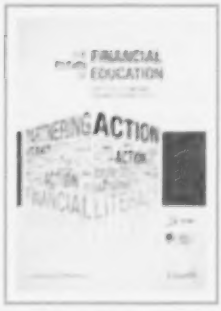
- ***Your Financial Toolkit***

  Your Financial Toolkit is a new education resource developed for adults. It is scheduled to be launched in fall 2012. FCAC has consulted with partners and stakeholders to prepare content, and ensure that it is of high quality and meets the needs of target audiences. The Agency is promoting the resource for use in community-based organizations, educational institutions and workplaces.

- **Financial Literacy Month**

FCAC coordinated Canada's first-ever Financial Literacy Month, held in November 2011. The aim was to raise financial literacy awareness and strengthen Canadians' money savvy. A team of community organizations worked with FCAC to organize the event, which was a great success. Seventy-two organizations from the public, private and voluntary sectors took part. They presented 185 registered activities, including conferences, workshops and national discussions.

- **National conference on financial literacy**



With the Organization for Economic Cooperation and Development, FCAC hosted a two-day conference in Toronto entitled *Partnering to Turn Financial Literacy into Action*. Some 400 experts and practitioners attended, and 96 percent rated the event as good to excellent. Participants shared best practices and tools for improving the delivery of financial literacy programs. FCAC published a follow-up report, *The Future of Financial Education*, summarizing the conference's main themes.

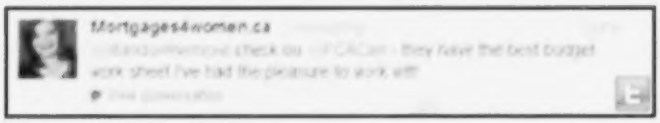
Benefits to Canadians

In 2011–12, FCAC produced the following benefits in the area of financial literacy:

- Teachers within high schools, post-secondary institutions and community-based organizations across Canada were able to access free, bilingual, easy-to-use resources for integration into their curricula and use with students/members.

- Students and youth throughout the country were able to access free, easy-to-understand learning resources on money management and financial issues.

- FCAC empowered Canadians by helping them develop the knowledge, skills and confidence needed to make sound financial decisions that contribute to their financial well-being.



FCAC goes social

In May 2011, FCAC launched its presence on **Twitter** and **YouTube**—two popular social media platforms that have become an important part of our communications.

These tools have expanded our audience and enabled us to issue timely money tips that incorporate images, audio, video and other multimedia content. Most important, with social media we have unparalleled opportunities to interact with Canadians, and to better understand and respond to their information needs.

In the first year, our social media strategy proved a great success:

- We reached 1,400 Twitter followers and over 450,000 users.
- FCAC's YouTube channel videos were viewed more than 3,200 times.
- Feedback from the public was 100% positive.
- Partners and community groups frequently commented on the relevance and importance of the material we shared.
- Many of our posts led Canadians to share and discuss FCAC content on their social networks.
- Reporters regularly thanked us for "retweeting" their finance-related articles.

In 2012–13, we are expanding to other social networks, including Facebook and LinkedIn.

FCAC on Twitter: @FCACan @ACFCan FCAC on YouTube: FCACan ACFCan

"Our social media presence has been a huge milestone for us.

Consumers want information that is easy to understand and they want it at their fingertips. We get that. That is why we continually adapt and evolve, and develop tools that engage Canadians and deliver information in the ways they want it."

—André-Marc Allain,
Director Marketing and Communications, FCAC

COMPLIANCE SUPERVISION AND ENFORCEMENT

FCAC monitors and enforces compliance with laws, regulations and industry commitments designed to protect financial consumers.

RELATED LINKS

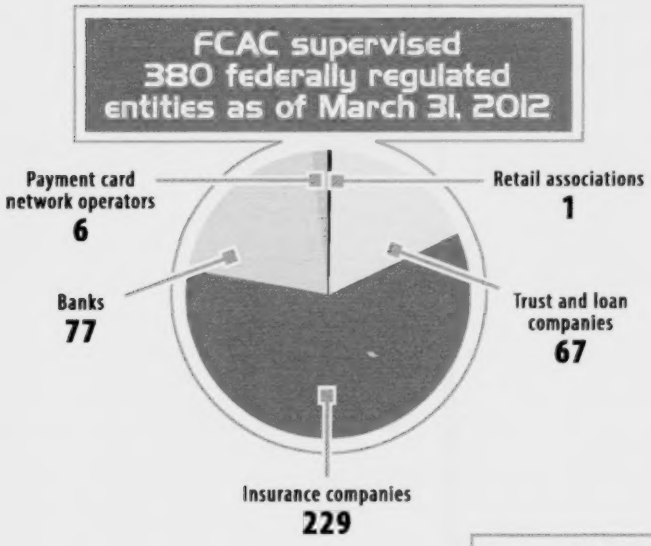
This report:
- Performance summary—Compliance Supervision and Enforcement

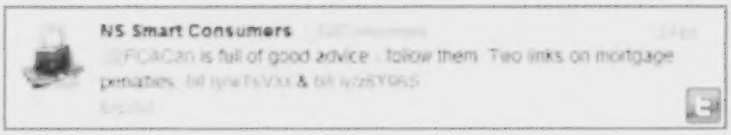
FCAC website:
- Who we regulate
- Laws, regulations and other obligations

These measures ensure that regulated financial entities provide the information needed by consumers to make sound financial decisions, and that the entities meet a high standard in business practices affecting their customers.

FCAC activities include:

- monitoring and investigating compliance issues at an industry-wide level, as well as at the level of individual financial entities;
- undertaking annual and on-site examinations;
- engaging with financial entities to promote greater compliance in the marketplace, and encouraging them to develop effective internal policies and practices focused on implementing consumer-centred compliance measures;
- monitoring the industry's adherence to its voluntary codes of conduct and public commitments; and
- engaging with other regulators within the Canadian financial services sector on key compliance matters, and providing input to the federal government on regulatory initiatives that affect financial consumers.





PERFORMANCE

In 2011–12, FCAC continued to use a risk-based approach to proactively supervise the conduct of financial entities. We worked effectively with entities to identify and resolve compliance issues. This helped to minimize any negative impacts on financial consumers.

We investigated 1,268 cases for potential breaches of legislation, regulations, codes of conduct and public commitments. That figure compares with 860 cases the previous year. The rise is due largely to FCAC's new responsibility for overseeing the Code of Conduct for the Credit and Debit Card Industry in Canada. For fiscal year 2011–12, the Commissioner issued three violations and imposed penalties of $50,000 related to these violations. This amount is included in the total penalties of $212,500 received and processed during the year.

The top compliance matters in 2011–12 concerned account fees and mortgage prepayment penalties. In recent years, prepayment penalties were the cause of a significant increase in consumer complaints, most of them concerning the interest rate differential option that appears in many mortgage agreements.

Compliance Supervision and Enforcement met or exceeded all its performance targets in the past fiscal year, including carrying out supervisory activities within established time frames. For more detailed results, please see the performance summary on page 39.

Top compliance issues	2011–12
	Cases opened
Account fees	74
Mortgage penalties	69
Refusal to open account	64

Compliance summary	2011–12	
	2011–12	2010–11
Compliance cases opened	1,112	641
Cases investigated for potential compliance violations[1]	1,268	860
Violations noted	3	36
Compliance agreements entered into with regulated entities[2]	3	12
Action plans accepted from regulated entities[3]	9	19

[1] Compliance violations are breaches of laws, regulations, voluntary codes or public commitments.

[2] A compliance agreement is a legislated compliance tool. It is a formal agreement between the FCAC Commissioner and senior management of a regulated institution, setting out detailed corrective measures that the institution must undertake to comply with the applicable consumer provisions within a specified time frame. A financial institution's failure to fully implement a compliance agreement may lead to enforcement action by FCAC.

[3] FCAC's Compliance and Enforcement Division may require a regulated institution to develop an action plan that provides information on the cause of non-compliance and the measures that the institution plans to undertake to correct the issue and prevent its recurrence.

"The Compliance and Enforcement Division has shifted from a complaint-driven to a risk-based approach. Compliance officers primarily used to investigate complaints that came to us. Now they focus on addressing any compliance risk areas in the market-place and proactively engaging with financial entities on potential compliance issues.

They can address compliance issues much more quickly, and we can better effect behavioural changes with financial institutions."

—**John Rossi**, Director, Compliance and Enforcement, FCAC

Major initiatives

- **Refinement of Risk Assessment Model**

  Launched in 2010–11, FCAC's Risk Assessment Model (RAM) helps us to better assess financial institutions' compliance risks, and also to identify the frequency, scope and main focus of compliance activities. During 2011–12, we worked to refine and enhance the model. For example, we reviewed the results from the first run of RAM reports, decided on changes to improve accuracy and usefulness, drew up proposed changes to the RAM questionnaire, and worked with an external consultant to implement the changes.

- **Compliance-related communications**

  Communicating with regulated entities is an important part of what we do. To help the financial industry meet new and existing regulatory obligations (such as the March 2012 Code of Conduct for Mortgage Prepayment Information), guidance from the Commissioner was issued on the following four issues: mortgage prepayment penalty disclosure; consent for increases in credit limits; application of the credit and debit card code to 90 days' notice of any new fees or fee increases; and online and other electronic credit card applications and information boxes. We also published a Compliance Bulletin concerning the Code of Conduct for the Credit and Debit Card Industry in Canada and the code's applicability to online debit transactions. In addition, we continued to provide compliance reports to the Minister of Finance about material issues affecting financial consumers and how FCAC is working with regulated entities to address these issues.

- **Compliance Framework updates**

  In 2011–12, we updated several aspects of our Compliance Framework to bring it into line with FCAC's more proactive, risk-based supervisory approach. For example, we revised our communications templates for the way regulated entities are to report complaints to FCAC, and we created an online interactive model of the Framework to replace the existing paper-based version. The new version is more visually appealing and user-friendly for staff of regulated entities, and gives them the option to look for more details, links and resources.

- **Tools for compliance officers**

  We developed new tools to help FCAC compliance officers carry out their work within a more coordinated approach. Examples include a data collection matrix to optimize information gathering for specific financial institution portfolios and a guide for recommending compliance actions.

- **Self-reporting process**

  In a pilot initiative, we continued to implement and fine-tune a new, streamlined approach to the self-reporting of compliance cases by financial entities. The approach focuses more on trends that could be indicators of systemic compliance issues, rather than the narrow issues of individual complaints. To build on the success of the pilot, the Compliance and Enforcement Division has been working on a plan for industry-wide adoption of the new approach.

Benefits to Canadians

In 2011–12, Compliance Supervision and Enforcement produced the following benefits:

- With our case management process and ongoing enhancements to it, FCAC helped ensure that consumer complaints were handled from a compliance perspective, and that key systemic compliance issues were identified and addressed with the relevant financial entities.

- Through compliance and enforcement actions, FCAC generated important behavioural changes within financial entities, resulting in significant improvements in their overall compliance.

- Since the adoption of a more risk-based approach, FCAC's supervisory work has become more transparent and targeted. We can pinpoint and tackle potential compliance matters earlier, faster and more effectively.

- By promoting strong and proactive communications with financial entities before new regulatory or code requirements come into force, FCAC helped prevent the occurrence of potential compliance issues and any resulting negative impacts on financial consumers.

- By issuing guidance to the industry, FCAC:
  - sought to improve the clarity of information that financial entities provide to customers so that they can better understand their rights and responsibilities; and
  - enhanced the entities' understanding about how to implement new laws, regulations, codes of conduct and public commitments.

- Through its work with the federal government and other regulators on legislative and regulatory initiatives, FCAC helped ensure that Canada continues to have a robust and evolving regulatory framework that protects financial consumers and fosters greater competition in the marketplace.

INTERNAL SERVICES

FCAC's corporate services groups support the effective administration and efficient delivery of the Agency's programs.

Internal Services functions:

- corporate planning and reporting
- performance measurement and evaluation
- risk management
- audit services
- financial management
- human resources management
- data management
- information technology
- security and privacy
- facilities management
- procurement

Internal Services ensures that FCAC adopts and applies best practices to manage its programs and human resources, and that it implements the appropriate policies, procedures and reporting structure.

Performance

Internal Services successfully met its performance targets for 2011–12, with no findings of non-compliance raised in independent audits and reviews related to Government of Canada policies applicable to FCAC. For more detailed results, please see the performance summary on page 41.

Major initiatives

- **Corporate risk profile**

  FCAC updated its risk management framework and risk registries tools for each program and supporting division. This information was consolidated and used to update the Agency's risk profile. It also provided invaluable input for the development of FCAC's Internal Audit Plan.

- ***Policy on Internal Control***

  FCAC is subject to the Treasury Board of Canada Secretariat's *Policy on Internal Control*, which is designed to ensure that risks relating to the stewardship of public resources are adequately managed through effective in-house accounting and financial controls. To foster strong compliance with this policy, we assessed the design and operating effectiveness of entity-level controls (those pertaining to the entire organization) and transaction-level controls (those pertaining to individual transactions).

- **Accommodation planning**

  To accommodate the Agency's expanded mandate and workforce, we completed and implemented plans to add more office space at FCAC's existing location in Ottawa. Internal Services worked with other federal organizations and consultants to identify optimal design, spacing and leasing requirements.

- **Information Technology Strategy**

  We continued to develop and implement key aspects of the Agency's Information Technology Strategy. As a first step, we updated the workflows related to business processes for each FCAC program area, and mapped out new workflows as required. By doing so, we confirmed existing business requirements and identified new ones that could benefit from streamlining and/or automation. In addition, we dedicated new resources to implement our website Content Management System; this will help streamline content posting.

Related links

This report:

- Performance summary—Internal Services

Benefits to Canadians

In 2011–12, Internal Services contributed to FCAC's progress toward all of its strategic outcomes, priorities and activities by enabling the Agency's programs to operate more effectively and efficiently.

THE NUMBERS

General consumer complaints not related to compliance

(excludes general inquiries and compliance cases)

Nature of complaints	Number of complaints		
	2011-12	2010-11	2009-10
Credit	249	237	344
Credit cards	814	922	765
Deposit accounts	896	779	724
FCAC	15	13	12
Financial institutions or other companies	538	414	340
Financial literacy	4	7	24
Insurance	189	273	248
Investments	282	273	252
Lines of credit	100	75	197
Loans	151	173	187
Mortgages	333	374	425
Payday loans	35	21	29
Publications	2	3	2
Referrals to other departments or organizations	707	794	510
Miscellaneous	95	47	40
Total	**4,410**	**4,405**	**4,099**

Compliance-related consumer and merchant complaints

(excludes complaints reported by federally regulated financial institutions and compliance issues raised by FCAC)

Nature of complaints	Number of complaints		
	2011-12	2010-11	2009-10
Consumer provisions			
Branch closures	1	5	8
Cheques	3	9	4
Coercive tied selling	3	1	5
Complaint-handling procedures	15	11	1
Compliance of affiliate	0	1	0
Cost of borrowing—general	2	0	2
Cost of borrowing—credit cards	92	66	28
Cost of borrowing—lines of credit	8	9	3
Cost of borrowing—loans	11	3	0
Cost of borrowing—mortgages	35	29	38
Credit business practices	20	11	N/A
Deposit accounts	40	19	11
Deposit-type instruments	1	N/A	N/A
Disclosure of charges for services	0	0	0
Disclosure of interest rates	1	1	2
Failure to inform how to reach FCAC	0	0	0
Index-linked deposit accounts	0	0	1
Principal protected notes	0	0	N/A
Public Accountability Statements	0	1	3
Registered products	1	N/A	N/A

Compliance-related consumer and merchant complaints (continued)

(excludes complaints reported by federally regulated financial institutions and compliance issues raised by FCAC)

Nature of complaints	Number of complaints		
	2011-12	2010-11	2009-10
Codes of conduct			
Authorized insurance activities	26	11	4
Credit and debit card code	75[1]	12	N/A
Debit card code	32	10	10
Protection for e-commerce	0	0	N/A
Small Business Banking Code	0	2	3
Public commitments			
Accessibility of complaint-handling process	0	1	1
Agreement to offer low-cost accounts	0	0	0
Credit cards—general	0	0	0
Guidelines for the transfer of registered plans	13	5	2
Hold period on cheques	0	0	0
Interac	0	0	0
Mortgage plain language	0	0	0
Online security	1	1	N/A
Undertaking on unsolicited services	8	1	1
Visa E-promise	1	1	3
Zero-liability credit cards	20	12	9
Zero-liability prepaid cards	0	0	0
General	0	0	0
Total	**409**	**222**	**139**

N/A = not applicable because FCAC was not responsible for oversight of this area at the time.

[1] Complaints increased significantly in 2011–12 from previous years because FCAC had taken on regulatory responsibility for monitoring adherence to the Code of Conduct for the Credit and Debit Card Industry in Canada, introduced in 2010.

Internal audits and evaluations

Name	Type	Subject area	Status	Completion date
Formative evaluation	Evaluation	Financial Literacy sub-program activity	In progress	December 2012

Green procurement

Activity	Performance measure	Target	Status	Comments
Training for procurement and materiel management staff, and acquisition cardholders	Percentage of procurement and materiel management employees and acquisition cardholders with formal green procurement training (e.g. online Green Procurement Course C215 of the Canada School of Public Service)	100%, by end of fiscal year 2011–12	Delayed until 2012–13	FCAC has two employees responsible for acquisitions, procurement and materiel management. One of these positions became vacant during the fiscal year and was filled through temporary replacement. As a result, attending a formal green procurement training was delayed until 2012–13.
Performance evaluations	Environmental considerations will be included in the performance evaluations of the Manager, Administrative Services and the procurement functional specialists	100%, as of April 1, 2011	0%	Environmental considerations will be included in the 2012–13 performance evaluations of the Manager, Administrative Service and the procurement functional specialists.

Green procurement (continued)

Activity	Performance measure	Target	Status	Completion date
Procurement processes and controls	Contracting documents will be reviewed to include a clause addressing environmental considerations in the performance of the work required	Completion by March 31, 2012	Delayed until 2012–13, to be part of the full review of the Agency's contracting documents	FCAC has planned a full review and update of all its contracting documents for 2012–13. This review will look at all aspects of the contracting documents, including environmental considerations.
Use of green consolidated procurement instruments for goods and services	Commercial publication and flat prints	100%	100%	
	Office furniture	100%	100%	

Greening Government Operations

Although FCAC is not subject to the Federal Sustainable Development Strategy, it opted to voluntarily contribute to two of the targets set in the Greening Government Operations section of the Strategy.

a) Surplus electronic and electrical equipment

Target set in the Government of Canada's Federal Sustainable Development Strategy:

By March 31, 2014, each department will reuse or recycle all surplus electronic and electrical equipment (EEE) in an environmentally sound and secure manner.

Performance measure	Target 2011–12	Actual results 2011–12
Total number of departmental locations with EEE implementation plan fully implemented, expressed as a percentage of all locations, by the end of any given fiscal year.	100%	100%

Current status/comments:

- FCAC currently follows the Government of Canada's policies, directives and guidelines for the disposal of all surplus electronic and electrical materiel. The surplus is reused through the available programs (e.g. Computers for Schools, Crown Assets Distribution).
- FCAC has only one departmental location.

b) Printing unit reduction target

Target set in the Government of Canada's Federal Sustainable Development Strategy:

By March 31, 2013, each department will achieve an 8:1 average ratio of office employees to printing units. Departments will apply target where building occupancy levels, security considerations and space configuration allow.

Performance measure	Target 2011-12	Actual results 2011-12
Ratio of departmental office employees to printing units at the end of the given fiscal year, where building occupancy levels, security considerations and space configuration allow	8:1	8:1

Current status/comments:

- A printing unit is defined as a desktop printer or network printer / multifunctional device (printer, fax or scanner).
- Office employees include indeterminate, determinate, term, casual and student employees who are employed on a full-time or part-time basis. It also includes temporary administrative help hired through employment agencies.
- FCAC had a total number of 9 printer units and 71 office employees, as of March 31, 2012.

Performance summary

This section examines FCAC's performance in relation to the expected results and targets established in our 2011–14 Business Plan. The following "performance scorecards" summarize results for 2011–12, giving a clear, concise picture of how successful we were in the past year.

Consumer Information and Development of Financial Skills

Consumer Education

2011–12 Financial resources ($ millions)		2011–12 Human resources (Full-time equivalents)	
Planned spending	Actual spending	Planned	Actual
4.63	4.12	26.6	26.6

Expected results	Performance indicators	Targets/ deliverables for 2011–12	Performance status	Performance summary
FCAC's consumer information is useful, easy to understand, and relevant for decision making	Consumers' level of satisfaction on usefulness, ease of understanding and relevance	Average satisfaction rating of 3.5 on a scale of 5	Exceeded	Weighted average score of 4.09 out of 5 for FCAC's consumer education materials. Breakdown as follows: – interactive tools: 4.10 – Web publications: 3.61 – print publications: 4.52
Information on financial products/services and consumer financial rights under federal laws is readily available to Canadians	Consumer education material covers the full range of financial products and services and all consumer financial rights under federal laws (print and electronic)	By March 31, 2012, retirement planning tool and other retirement resources are available electronically By March 31, 2012, review all publications and Web information to ensure that documentation about all consumer financial rights is available to Canadians	Mostly met	A *Planning Your Retirement* section was added to FCAC's new online Life Events series, with related information, worksheets, publications and FAQs. A business case for the retirement tool was completed but development was delayed until 2012–13. A review of FCAC's resources found that information was provided about all consumer financial rights, with two minor exceptions. Information about these two areas was added to the relevant consumer resources.

Consumer Education
(continued)

2011–12 Financial resources ($ millions)		2011–12 Human resources (Full-time equivalents)	
Planned spending	Actual spending	Planned	Actual
4.63	4.12	26.6	26.6

Expected results	Performance indicators	Targets/ deliverables for 2011–12	Performance status	Performance summary
Market trends and emerging issues with an impact on financial consumers are monitored and evaluated	Research projects are completed by agreed timeline	By March 31, 2012, a research report on the available resources for retirement planning and saving is produced and gaps are identified, if any	Met all	Completed environmental scan of retirement planning and saving tools available to Canadians. Identified gaps that could be addressed by FCAC.
		By March 31, 2012, a wide-consultation to gather input from stakeholders and partners for the development of a 2012–14 research plan is completed	Met all	Consultations involved meetings and discussions with key stakeholders across Canada, including other government organizations, academic experts, ombudsman/ resolution bodies and industry associations. The consultations enabled FCAC to identify and confirm research priorities.
		By March 31, 2012, a survey to assess the progress / produce baseline of the level of consumers' awareness of their rights and responsibilities is completed	Met all	Survey undertaken in partnership with Ipsos Reid. Results showed that Canadians' level of knowledge has increased or remained stable since 2006.

Consumer Education
(continued)

2011–12 Financial resources ($ millions)		2011–12 Human resources (Full-time equivalents)	
Planned spending	Actual spending	Planned	Actual
4.63	4.12	26.6	26.6

Expected results	Performance indicators	Targets/ deliverables for 2011–12	Performance status	Performance summary
Information on financial products/services and consumer financial rights is presented in clear language	Consumer education material follows FCAC's clear language principles	FCAC's clear language principles are integrated in all new material and are maintained when the material is updated	Met all	All consumer education materials, including publications, tip sheets, interactive tools and Web content, have been reviewed to ensure they reflect FCAC's clear language principles.
Canadians use FCAC's education material	Number of Canadians using FCAC's education material	Increase of 5% year-over-year on the following:		12% increase in website visits (to 640,100).
		– Web visits	Exceeded	2% increase in use of interactive tools.
		– use of interactive tools	Not met	2% increase in print publications distributed.
		– publications distributed to consumers and partners	Not met	8% decrease in electronic publications downloaded.

Financial Literacy

2011–12 Financial resources ($ millions)		2011–12 Human resources (Full-time equivalents)	
Planned spending	Actual spending	Planned	Actual
2.00	1.66	6	6

Expected results	Performance indicators	Targets/ deliverables for 2011–12	Performance status	Performance summary
FCAC's financial literacy material contributes to the development and improvement of basic financial skills	Percentage of users who agree that FCAC's financial literacy material contributed to the development and improvement of their basic financial skills	By March 31, 2012, the current online feedback process is streamlined or revamped to increase users' response rate and get appropriate baselines	Mostly met	*The City* evaluations were shortened, revamped and posted online, but response rates at year-end remained unchanged. A second revamp is under way to streamline the surveys further in an effort to increase response rates.
Canadians use FCAC educational material	Number of Canadians who use FCAC's education material	Increase of 10% year-over-year in the number of online student registrations to *The City*	Met	10% increase.
		Increase of 5% year-over-year in the number of online educator registrations to *The City*	Not met	42% decrease compared to the previous year's educator registrations. Surveys are being developed to obtain feedback from existing and former teachers, with the aim of improving teacher platform functionalities.
		Increase of 5% year-over-year in number of requests for the *Financial Basics* participant's handbook and presenter's manual	Not met	Participant's handbook: 49% below target. Presenter's manual: 48% below target. We did not promote these resources to the same extent as in the previous year. In 2012–13, we will undertake more promotional activities.
Information on financial products/services and consumer financial rights is presented in clear language	Financial Literacy material follows FCAC's clear language principles	FCAC's clear language principles are integrated in all new material and are maintained when the material is updated	Met	All our resources follow FCAC's clear language and presentation principles. FCAC works with clear language and literacy experts in the development of its educational resources.

Compliance Supervision and Enforcement

(FRFE = federally regulated financial entity)

2011–12 Financial resources ($ millions)		2011–12 Human resources (Full-time equivalents)	
Planned spending	Actual spending	Planned	Actual
3.57	3.04	21.6	21.6

Expected results	Performance indicators	Targets/ deliverables for 2011–12	Performance status	Performance summary
Identification and prompt investigation of potential occurrences of non-compliance with the consumer provisions and the FRFEs codes of conduct and public commitments	Established timelines for supervisory activities are respected	Examinations and assessments are carried out within set time frames. Time frames will be set based on the type of examinations / assessments as well as the complexity of the compliance issue	Met all	All examinations and assessments were carried out within set time frames.
		100% of complaints are triaged within 5 business days from receipt by the Compliance and Enforcement Division	Mostly met	96% of complaints were triaged within 5 business days from receipt. Understaffing contributed to the failure to fully meet this target. Increased staffing has been provided for 2012–13.
		100% of compliance concerns identified in compliance cases are raised with the implicated FRFE within 30 business days from case opening date	Mostly met	87% of compliance concerns identified in compliance cases were raised with FRFEs within 30 business days. Understaffing contributed to the failure to fully meet this target. Increased staffing has been provided for 2012–13.
		Investigations of potential non-compliance with the consumer provisions are completed within the legislated two years	Met all	All investigations were completed within the time frame.

Compliance Supervision and Enforcement (continued)

(FRFE = federally regulated financial entity)

2011–12 Financial resources ($ millions)		2011–12 Human resources (Full-time equivalents)	
Planned spending	Actual spending	Planned	Actual
3.57	3.04	21.6	21.6

Expected results	Performance indicators	Targets/ deliverables for 2011–12	Performance status	Performance summary
Application of compliance or enforcement actions with FRFEs to rectify compliance deficiencies	Compliance and enforcement actions are promptly undertaken	80% of the informal enforcement actions[1] are prepared and submitted to the FRFE within 180 days from identifying the potential non-compliance with the consumer provisions, codes of conduct or public commitments	Exceeded	98% of informal enforcement actions were prepared and submitted within the target time frame.
	Correction of compliance deficiencies is monitored	100% of the correction of compliance deficiencies (informal action plans and compliance agreements) are reviewed within 90 days from the correction due date	Met all	100% of the corrections of compliance deficiencies were reviewed within 90 days from due date.
FRFEs understand FCAC's role and their obligations to consumers, and are encouraged to adopt policies and procedures to implement them	A strong supervisory relationship with the FRFEs is maintained	Introduction letters are sent to new FRFEs within 60 days from the receipt of the Order to Commence	Met all	Two introduction letters were sent to FRFEs during 2011–12.
		Meetings are held annually with 25% of the deposit taking / lending or selected FRFEs	Exceeded	Met with 45% of FRFEs during 2011–12.
		FRFEs are informed of new or amended legislative requirements within 10 business days of coming into force	Met all	FRFEs were informed of four new sets of regulations/ legislation within 10 days of their coming into force.
		The information for the Industry section of FCAC's website will be delivered within the Web renewal set due dates	Met all	Information for the Industry section of FCAC's website was delivered on time.

Internal Services

2011–12 Financial resources ($ millions)		2011–12 Human resources (Full-time equivalents)	
Planned spending	Actual spending	Planned	Actual
3.24	3.33	15.4	15.4

Expected results	Performance indicators	Targets/ deliverables for 2011–12	Performance status	Performance summary
FCAC has in place good practices to manage and deliver its programs effectively, efficiently and in compliance with the Government of Canada's policies and Management Accountability Framework	Independent audits and/or reviews of elements related to FCAC's applications of its policies and procedures and Government of Canada policies that are applicable to FCAC	For policies applicable to FCAC, no significant observations are raised in audit and/or review reports (i.e., no non-compliant findings)	Met all	The following independent audits and testing were conducted: *Policy in Internal Control*: The design and testing of the Entity Level Controls and Transactions Level Controls were undertaken in 2010–11 and 2011–12. The findings with respect to opportunities for improvements in both sets of testing were deemed "not significant." *Management Resources and Results Structure Policy*: In 2011–12, FCAC was included in the Office of the Comptroller General of Canada's sample for the horizontal audit related to the Management Resources and Results Structure Policy. The preliminary findings with respect to opportunities for improvement were deemed "not significant."

FINANCIAL HIGHLIGHTS

The Financial Consumer Agency of Canada (FCAC) is a federal government agency that is funded mostly through industry assessments paid by federally regulated financial entities.

In its 2008 budget, the Government of Canada proposed to contribute to the Agency up to $2 million per year on an ongoing basis as of fiscal year 2008–09. FCAC is entitled to receive a parliamentary appropriation as authorized under section 13(3) of the *Financial Consumer Agency of Canada Act*. The funding is to support efforts to improve financial literacy in Canada.

FCAC's total expenses for fiscal year 2011–12 were $12.15 million, an increase of $523,300 or 4.5 percent from fiscal year 2010–11. This increase is primarily due to an increase in human resources costs and additional investments in accommodation and technology infrastructure.

Accommodation costs were $1,028,200—a $369,300 increase, due to facilities-related expenses of leasing additional space, and amortization of building improvements and furniture and equipment investments to accommodate the additional staff for the expanded mandate (see below).

Information Management/Technology (IM/IT) expenses were $703,800, a $113,500 increase from the previous year. The entire increase relates to the implementation of long-term Web Renewal and Content Management System projects necessary to support our evolving supervisory and financial education activities. These were in large part deferred to fiscal year 2011–12 and do not relate to the expanded mandate. To cover the expenses of these two projects, a reallocation of funds not associated with the expanded mandate was made during the first half of the year.

The increases mentioned here were by and large offset by reduced professional services costs (lower by $872,400 compared to fiscal year 2010–11). One of the drivers of the reduction was the termination of the memorandum of understanding with the Canada Deposit Insurance Corporation in July 2011, as the Consumer Services Centre was relocated within FCAC's premises. In addition, delays were incurred in the development of one of our educational resources, which was pushed to fiscal year 2012–13. Moreover, advertising expenditures in 2011–12 decreased by $242,200 compared to fiscal year 2010–11.

The cost increase related to human resources is largely the result of FCAC's expanded mandate, which began in the second quarter of fiscal year 2010–11. The federal government expanded our mandate by giving FCAC new responsibilities, namely:

- **Undertaking research** on emerging trends and issues that might affect financial consumers. This led to the creation of a dedicated research function at FCAC to support our core consumer education and consumer protection programs.

- **Supervising payment card network operators** in addition to the entities already under FCAC oversight—that is, all banks and all federally regulated insurance, trust and loan companies, as well as retail associations.

In addition, the relocation of the Consumer Services Centre contributed to the increase in human resources costs.

From its inception, the Agency has been guided by the management principle that it should concentrate on delivering the programs called for in its legislation. We have therefore opted to use common and/or shared services to provide generic corporate services when it is cost-effective to do so.

Strategic management partnerships continue to give the Agency the flexibility needed to manage evolving programs as cost-effectively and efficiently as possible.

Financial Consumer Agency of Canada
For the year ended March 31, 2012

Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the years ended March 31, 2011, and March 31, 2012, and all information contained in these statements rests with the management of the Financial Consumer Agency of Canada (FCAC). These financial statements have been prepared by management in accordance with International Financial Reporting Standards.

Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of FCAC's financial transactions.

Management is also responsible for maintaining an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded, and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

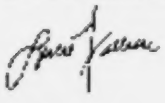
Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational structure that provides appropriate divisions of responsibility; through communications programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout FCAC; and through conducting an annual assessment of the effectiveness of the system of internal control over financial reporting.

An assessment for the year ended March 31, 2012, was completed in accordance with the Treasury Board Secretariat's *Policy on Internal Control*, and the results and action plan are summarized in the annex.

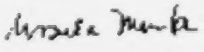
The system of internal control over financial reporting is designed to mitigate risks to a reasonable level, based on an ongoing process to identify key risks, to assess effectiveness of associated key controls and to make any necessary adjustments.

The effectiveness and adequacy of FCAC's system of internal control are reviewed, as appropriate, by the risk-based work of internal audit staff—through a memorandum of understanding with the Office of the Superintendent of Financial Institutions—who conduct periodic risk-based audits of different areas of FCAC's operations, and by FCAC's Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends to the Commissioner the approval of the audited financial statements.

The Auditor General of Canada, the independent auditor for the Government of Canada, has audited the financial statements of FCAC and reports on his audit (which does not include an audit opinion on the annual assessment of the effectiveness of FCAC's internal controls over financial reporting) to the Minister of Finance.



Lucie Tedesco
Chief Financial Officer



Ursula Menke
Commissioner

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Finance

I have audited the accompanying financial statements of the Financial Consumer Agency of Canada, which comprise the statements of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, and the statements of operations and total comprehensive income, statements of changes in equity and statements of cash flows for the years ended 31 March 2012 and 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Financial Consumer Agency of Canada as at 31 March 2012, 31 March 2011 and 1 April 2010, and its financial performance and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with International Financial Reporting Standards.

Margaret P.A. Haire

Margaret Haire, CA
Principal
for the Auditor General of Canada

4 July 2012
Ottawa, Canada

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

Financial Consumer Agency of Canada

Statement of Financial Position

(in Canadian dollars)	*Note*	As at March 31, 2012	As at March 31, 2011	As at April 1, 2010
ASSETS				
Current Assets				
Cash Entitlement		$ 1,464,739	$ 2,152,537	$ 2,254,865
Trade Receivables, Net	8	206,623	117,790	7,000
Other Receivables	8	97,544	89,327	35,831
Other Assets		31,031	45,544	38,150
Non-Current Assets				
Property, Plant and Equipment	10	680,780	360,534	234,360
Intangible Assets	11	65,230	57,231	13,158
TOTAL ASSETS		**$ 2,545,947**	**$ 2,822,963**	**$ 2,583,364**
LIABILITIES				
Current Liabilities				
Trade and Other Payables	9,17	$ 1,296,080	$ 1,942,112	$ 1,807,494
Unearned Assessments	17	597,346	335,612	313,652
Employee Benefits—Sick leave	12	235,950	93,333	70,211
Employee Benefits—Severance	12	18,271	32,166	33,778
Non-Current Liabilities				
Employee Benefits—Severance	12	412,269	433,709	404,762
Total Liabilities		**2,559,916**	**2,836,932**	**2,629,897**
EQUITY OF CANADA				
Accumulated Deficit	19	(13,969)	(13,969)	(46,533)
TOTAL LIABILITIES AND EQUITY OF CANADA		**$ 2,545,947**	**$ 2,822,963**	**$ 2,583,364**
Operating Lease Arrangements and Other Commitments	14			

Approved by:

Ursula Menke
Commissioner
Financial Consumer Agency of Canada

The accompanying notes are an integral part of these Financial Statements.

Financial Consumer Agency of Canada

Statement of Operations and Total Comprehensive Income

For the year ended March 31

(in Canadian dollars)	*Note*	2012	2011
REVENUE			
Assessments		$ 10,420,802	$ 9,782,568
Other Revenue		45	160
Total Revenue		**10,420,847**	**9,782,728**
EXPENSES			
Salaries and Benefits		7,572,846	6,660,978
Professional Services		2,137,793	3,010,147
Accommodation		1,028,246	658,991
Information Management/Technology		703,771	590,290
Administrative and Other		470,890	521,352
Travel		185,147	141,560
Interest	17	54,394	46,450
Total Expenses		**12,153,087**	**11,629,768**
Net Results of Operations before Government Funding and Administrative Monetary Penalties		**(1,732,240)**	**(1,847,040)**
Government Funding	18	1,732,240	1,879,604
Net Results of Operations before Administrative Monetary Penalties		—	32,564
Administrative Monetary Penalties	13	212,500	175,000
Administrative Monetary Penalties Earned on Behalf of the Government	13	(212,500)	(175,000)
NET RESULTS OF OPERATIONS AND TOTAL COMPREHENSIVE INCOME		—	32,564

The accompanying notes are an integral part of these Financial Statements.

Financial Consumer Agency of Canada

Statement of Changes in Equity

For the year ended March 31

(in Canadian dollars)	Accumulated Deficit
Deficit at April 1, 2010	**$ (46,533)**
Net Results of Operations and Total Comprehensive Income	32,564
Deficit at March 31, 2011	**(13,969)**
Net Results of Operations and Total Comprehensive Income	—
Deficit at March 31, 2012	**$ (13,969)**

The accompanying notes are an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended March 31

(in Canadian dollars)	Note	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Financial Entities and Other Government Departments		$ 13,350,852	$ 12,295,598
Cash Paid to Suppliers and Employees		(13,186,141)	(11,884,972)
Interest Paid	17	(54,394)	(46,450)
Administrative Monetary Penalties Remitted to the Consolidated Revenue Fund	13	(212,500)	(175,000)
Net Cash (Used in) Provided by Operating Activities		**(102,183)**	**189,176**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Property, Plant and Equipment	10	(558,617)	(250,790)
Acquisition of Intangible Assets	11	(26,998)	(40,714)
Net Cash (Used in) Investing Activities		**(585,615)**	**(291,504)**
CASH FLOWS FROM FINANCING ACTIVITIES			
New Borrowings	17	8,000,000	7,000,000
Repayments		(8,000,000)	(7,000,000)
Net Cash Provided by Financing Activities		—	—
NET DECREASE IN CASH ENTITLEMENT		**(687,798)**	**(102,328)**
CASH ENTITLEMENT, BEGINNING OF YEAR		**2,152,537**	**2,254,865**
CASH ENTITLEMENT, END OF YEAR		**$ 1,464,739**	**$ 2,152,537**

The accompanying notes are an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended March 31, 2012

(in Canadian dollars)

1. Authority and objectives

On October 24, 2001, the *Financial Consumer Agency of Canada Act* (the Act) came into force, establishing the Financial Consumer Agency of Canada (FCAC, or the Agency). The Financial Consumer Agency of Canada is responsible for strengthening the oversight of consumer protection measures in the federally regulated financial sector and for expanding consumer education activities. The Agency is a division of the Government of Canada and is listed in Schedule I.1 of the *Financial Administration Act*. The Government of Canada is FCAC's parent and the ultimate controlling party of FCAC.

FCAC's mandate is specifically set out in the *Financial Consumer Agency of Canada Act*. It must:

a) supervise financial institutions to determine whether they are in compliance with
   i. the consumer provisions applicable to them, and
   ii. the terms and conditions or undertakings with respect to the protection of customers of financial institutions that the Minister imposes or requires and the directions that the Minister imposes under the Act;

b) promote the adoption by financial institutions of policies and procedures designed to implement
   i. provisions, terms and conditions, undertakings or direction referred to in paragraph a,
   ii. voluntary codes of conduct that are designed to protect the interests of their customers, that are adopted by financial institutions and that are publicly available, and
   iii. any public commitments made by them that are designed to protect the interests of their customers;

c) monitor the implementation of voluntary codes of conduct that are designed to protect the interests of customers of financial institutions, that have been adopted by financial institutions and that are publicly available and to monitor any public commitments made by financial institutions that are designed to protect the interests of their customers;

d) promote consumer awareness about the obligations of financial institutions under consumer provisions applicable to them and about all matters connected with the protection of consumers of financial products and services;

e) foster, in cooperation with any department, agency or agent corporation of the Government of Canada or of a province, financial institutions and consumer and other organizations, an understanding of financial services and issues relating to financial services;

f) monitor and evaluate trends and emerging issues that may have an impact on consumers of financial products and services;

g) supervise payment card network operators to determine whether they are in compliance with the provisions of the *Payment Card Networks Act* and its regulations;

h) promote the adoption by payment card network operators of policies and procedures designed to implement the provisions of the *Payment Card Networks Act* and its regulations;

i) monitor the implementation of voluntary codes of conduct that have been adopted by payment card network operators and that are publicly available, and monitor any public commitments made by them regarding their commercial practices in relation to payment card networks; and

j) promote public awareness about the obligations of payment card network operators under a voluntary code of conduct or under the *Payment Card Networks Act*.

Section 18(3) of the Act provides that the Agency's costs of operations are to be assessed to the industry. Pursuant to section 13(2) of the Act, FCAC's operations are typically funded entirely through this process. FCAC is, however, entitled to receive a parliamentary appropriation as authorized under section 13(3) of the Act.

FCAC's assessment revenues are charged in accordance with the *Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations* and the financial assessment methodology of payment card network operators, which outline the methodologies used to determine each institution's assessment.

The Agency manages its working capital requirements by borrowing funds from the Government of Canada as authorized under section 13(1) of the Act.

2. Background information

These financial statements were authorized for issue by the Commissioner of the Financial Consumer Agency of Canada on July 4, 2012. The head office is located at 427 Laurier Avenue West in Ottawa, Ontario, Canada. FCAC's principal activities are described in Note 1.

3. Basis of presentation

The financial statements have been prepared on a historical cost basis, except for cash entitlement, which has been measured at fair value.

The financial statements are presented in Canadian dollars because that is the currency of the primary economic environment in which FCAC operates.

Statement of compliance

The financial statements of FCAC have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), including International Accounting Standards (IAS) prevailing at March 31, 2012.

4. New standards and interpretations not yet adopted

a) Financial Instruments

IFRS 9, "Financial Instruments" was issued by the International Accounting Standards Board on October 28, 2010, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9: fair value through net results (FVTNR) and amortized cost. Financial liabilities held for trading are measured at FVTNR, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. Management is currently evaluating the impact of IFRS 9 on the financial statements.

b) Financial Instruments: Disclosures

In December 2011, IFRS 7, "Financial Instruments: Disclosures" was amended to require additional disclosures that are either permitted or required on the basis of the entity's date of adoption of IFRS 9 and whether the entity elects to restate prior periods under IFRS 9. Management is currently evaluating the impact of IFRS 7 on the financial statements.

c) Fair value measurement

IFRS 13, "Fair Value Measurement," a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards, was issued by the IASB on May 12, 2011. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements, and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact of IFRS 13 on the financial statements.

d) Accounting for employee benefits

In June 2011, the IASB issued significant amendments to IAS 19, "Employee Benefits." These changes affect the recognition of actuarial gains and losses by removing the option to use the corridor approach and requiring immediate recognition in Other Comprehensive Income (OCI). These OCI amounts cannot be recycled to the income statement. There are also changes to the recognition, measurement and presentation of past service costs, cost of benefits and finance expense or income relating to employee benefits. Further, termination benefits are recognized as a liability only when the entity can no longer withdraw the offer of the termination benefit or recognizes any related restructuring costs. There are additional disclosure requirements. The amendment is effective for periods beginning on or after January 1, 2013. Management is currently evaluating the impact of these amendments on the financial statements.

e) Presentation of items of other comprehensive income

In June 2011, IASB issued amendments to IAS 1, "Presentation of Financial Statements." These amendments include a requirement for entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially reclassifiable to Net Results subsequently (reclassification adjustments), and emphasize the importance of presenting Net Results and other comprehensive income together and with equal prominence. The amendment is effective for annual periods starting on or after July 1, 2012. Management is currently evaluating the impact of these amendments on the financial statements.

5. Summary of significant accounting policies

a) Cash entitlement

FCAC does not have its own bank account. All of the financial transactions of the Agency are processed through the Consolidated Revenue Fund (CRF), a banking facility administered by the Receiver General for Canada. FCAC's cash entitlement represents the amount the Agency is entitled to withdraw from the CRF without further authority. This amount does not earn interest.

b) Financial instruments

The classification of financial instruments is determined by FCAC at initial recognition and depends on the purpose for which the financial assets were acquired or liabilities were incurred. All financial instruments are recognized initially at fair value.

The fair value of financial instruments on initial recognition is based on the transaction price, which represents the fair value of the consideration given or received. Subsequent to initial recognition, financial instruments are measured based on the accounting treatment corresponding to their classification.

Classification	Accounting Treatment
Fair Value Through Net Results	Cash Entitlement is classified as "Fair Value Through Net Results." Cash Entitlement is measured at fair value.
Loans and Receivables	Trade Receivables and Other Receivables are classified as "Loans and Receivables." Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not debt securities. Subsequent to initial recognition, Loans and Receivables are measured at amortized cost using the effective interest method. Any gain, loss or interest income is recorded in revenues or expenses depending on the nature of the loan and receivable that gave rise to the gain, loss or income.
Other Financial Liabilities	Trade and Other Payables, and Unearned Assessments are classified as "Other Financial Liabilities." Other Financial Liabilities are non-derivative financial liabilities that have not been designated at fair value. Subsequent to initial recognition, Other Financial Liabilities are measured at amortized cost using the effective interest method. Any gain, loss or interest expense is recorded in revenues or expenses depending on the nature of the financial liability that gave rise to the gain, loss or expense.

Impairment of financial assets: FCAC assesses at each Statement of Financial Position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, FCAC first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If FCAC determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is credited to the Statement of Operations and Total Comprehensive Income depending on the receivable that gave rise to the initial impairment.

c) Property, plant and equipment

The property, plant and equipment (PPE) is stated at historical cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes the cost of replacing parts of property, plant and equipment when incurred, if the recognition criteria are met. When a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the Statement of Operations and Total Comprehensive Income as incurred.

Amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Assets	Useful Life
Furniture and Fixtures	7 years
Leasehold Improvements	lesser of useful life or remaining term of the lease
Informatics Software	5 years
Office Equipment	4 years
Informatics Hardware	3 years

Software is capitalized as property, plant and equipment when the software is integral to the use of the related hardware. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

d) Intangible assets

Intangible assets consist of externally purchased software that is not an integral part of the related hardware. Intangible assets purchased externally are measured on initial recognition at historical cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

FCAC holds intangible assets that have finite lives and are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Amortization is calculated using the straight-line method to write down the cost of intangible assets over their estimated useful life of five years and is recorded in the relevant expense line item depending on the business activity to which the expense pertains.

e) Impairment of non-financial assets

FCAC assesses at each reporting date whether there are any internal indicators that an asset may be impaired (e.g. damaged assets or assets no longer being used). If any indication exists, or when annual impairment testing for an asset is required, FCAC estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. There is no risk of not recovering the carrying amount of the asset given FCAC's cost recovery business model.

f) Employee benefits

i) Short-term benefits

Short-term benefits are recorded in the Statement of Operations and Total Comprehensive Income when an employee has rendered the service. Unpaid short-term compensated leave that has vested at the reporting date is accrued at year-end and not discounted. Short-term compensated leave expected to occur within 12 months of the reporting date is classified as short-term employee benefits. FCAC contributes to the Government of Canada–sponsored Public Service Health Care Plan and the Dental Service Plan for employees.

ii) Post-employment benefits

Pension benefits

Substantially all of the employees of FCAC are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and FCAC to cover current service cost. Pursuant to legislation currently in place, FCAC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of FCAC.

Severance

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits, and represents the only obligation of FCAC for severance benefits. The severance benefits are based upon the final salary of the employee.

The cost of benefits is actuarially determined as at March 31 of each year, using the projected benefit method prorated on services. The obligation is unfunded. The valuation of the liability is based upon a current market discount rate, which is based on the market yields at the Statement of Financial Position date on high-quality corporate bonds, and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. All actuarial gains (losses) are recognized in net results in the Statement of Operations and Total Comprehensive Income.

Other benefits

The Government of Canada sponsors a variety of other benefit plans from which former employees may benefit upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Service Plan are the two major plans available to FCAC retirees. These are defined benefit plans sponsored by the Government of Canada. Contributions are required by FCAC to cover current service cost. Pursuant to legislation currently in place, FCAC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total obligation of FCAC with respect to these plans.

iii) Other long term benefits

Sick Leave

Employees are eligible to accumulate sick leave until retirement or termination. Unused sick leave is not eligible for payment on retirement or termination, nor can it be used as vacation. All sick leave is an accumulating non-vesting benefit. A liability is recorded for sick leave balances expected to be taken in excess of future allotments.

The cost of sick leave as well as the present value of the obligation is determined using an actuarial valuation. Any gains and losses are recognized in Net Results in the period in which they arise.

g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the Statement of Operations and Total Comprehensive Income on a straight-line basis over the period of the lease.

FCAC does not have the borrowing authority to enter into lease agreements that are classified as finance leases. FCAC has established procedures to review all lease agreements and identify if the proposed terms and conditions would result in a transfer to FCAC of substantially all the benefits and risks incidental to ownership.

FCAC records the costs associated with operating leases in the Statement of Operations and Total Comprehensive Income in the period in which they are incurred.

h) Government funding

Government funding, including parliamentary appropriations, is recognized when there is reasonable assurance that the funding will be received and when all conditions have been met and all attached conditions will be complied with. When the funding relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. The funding and corresponding expense item are recognized at their gross amounts.

Services provided without charge from other government-related entities are recorded at fair value.

i) Revenue recognition

FCAC recognizes revenue so as to recover its expenses. Any amounts that have been billed for which costs have not been incurred are classified as unearned assessments on the Statement of Financial Position. Revenue is recorded in the accounting period in which it is earned (service provided), whether or not it has been billed or collected. At March 31 of each year, amounts may have been collected in advance of the incurrence of costs or provision of services; alternatively, amounts may not have been collected and are owed to FCAC. FCAC assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. FCAC has concluded that it is acting as a principal in all of its revenue arrangements.

Assessments: Revenue from assessments is recognized based on actual costs incurred as assessments are charged to recover costs, and all costs are considered recoverable. Assessments are billed annually based on an estimate of the current fiscal year's costs of operations, together with an adjustment for any differences between the previous year's assessed costs and actual. The assessment process is undertaken before December 31 in each year, in accordance with section 18(1) of the Act. As a result, at March 31 of each year, amounts may have been collected in advance of the incurrence of costs or, alternatively, funds may be owed to the Agency to fund its costs of operations.

Administrative monetary penalties may be issued by the Commissioner of the FCAC through Notices of Violations. These penalties are imposed in cases where the Commissioner believes that there has been either a violation of the consumer provisions or non-compliance with any Compliance Agreement entered into pursuant to an act listed in Schedule 1 of the *Financial Consumer Agency of Canada Act*. The penalty amount may be as high as $50,000 for an individual and $200,000 for an institution. Penalties levied by FCAC are non-respendable and are to be remitted to the Consolidated Revenue Fund. The funds are not available to FCAC and, as a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

6. Significant accounting judgments, estimates and assumptions

The preparation of FCAC's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying its accounting policies, management has made the following judgments having the most significant effect on the amounts recognized in the financial statements:

Operating lease commitments—FCAC as lessee

Public Works and Government Services Canada (PWGSC) enters into commercial property leases for FCAC's office space and recovers such cost from FCAC. FCAC also enters into leases for certain office equipment. FCAC has determined, based on an evaluation of the terms and conditions of the arrangements, that significantly all of the risks and rewards of ownership have not been transferred to FCAC and it therefore accounts for these contracts as operating leases.

Administrative monetary penalties—FCAC as principal

FCAC has determined it is the principal in the arrangement and has recorded revenue on a gross basis.

Estimates and assumptions

Discussed below are the key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date having a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Estimated useful lives of assets

The estimated useful lives of property, plant and equipment, and intangible assets are based on management's intentions with respect to the asset, historical experience with the asset, internal asset management plans and other factors as determined by management. The useful lives are reviewed on an annual basis and any revision to the useful lives are accounted for prospectively.

Severance benefits

The cost of the defined benefit severance plan as well as the present value of the obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and departure rates. All assumptions are reviewed annually as at March 31. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in Canada with an AAA or AA rating. Departure rates are based on experience from the Public Service of Canada and include mortality, disability, termination and retirement. Future salary increases are based on expected future inflation rates in Canada.

Further details about the assumptions used are given in Note 12(b).

Sick leave

The cost of sick leave as well as the present value of the obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, usage rates and departure rates. All assumptions are reviewed annually as at March 31. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in Canada with an AAA or AA rating. Departure rates are based on experience from the Public Service of Canada and include mortality, disability, termination and retirement. Future salary increases are based on expected future inflation rates in Canada.

There are no other accounting assumptions or estimates that have been identified as having a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year.

7. Transition to IFRS

FCAC's financial statements for the year ended March 31, 2012, are the first annual financial statements that comply with IFRS and these financial statements were prepared as described in Note 3, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which FCAC applied IFRS was April 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for FCAC is March 31, 2012. However, it also provides for certain exemption options and mandatory exceptions for first-time IFRS adopters.

Initial elections upon adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian generally accepted accounting principles (GAAP) to IFRS.

IFRS exemption options

1. **Employee benefits:** IFRS 1 provides the option to retrospectively apply the corridor approach under IAS 19, "Employee Benefits" for the recognition of actuarial gains and losses, or to recognize all cumulative gains and losses deferred under Canadian GAAP in opening accumulated deficit at the transition date. FCAC elected to recognize all cumulative actuarial gains and losses that existed at its transition date in opening accumulated deficit for its severance benefit plan.

   FCAC also elected to disclose the annual amounts of the present value of the defined benefit obligation and the related experience adjustments prospectively for periods commencing from the date of transition.

2. **Leases:** FCAC has applied the transitional provision in IFRIC 4, "Determining Whether an Arrangement Contains a Lease." All arrangements have been assessed based on the facts and circumstances existing at the date of transition.

IFRS mandatory exceptions

Set forth below are the applicable IFRS 1 exceptions applied in the conversion from Canadian GAAP to IFRS.

1. **Estimates:** Hindsight was not used to create or revise estimates. The estimates previously made by FCAC under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Reconciliation of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows at the transition date and the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP. FCAC has provided an equity reconciliation as at April 1, 2010, and March 31, 2011, as well as a reconciliation of total comprehensive income for the year ended March 31, 2011. FCAC's first-time adoption of IFRS did not have an impact on the total operating, investing or financing cash flows. The following tables represent the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity, earnings and total comprehensive income:

Notes to the Financial Statements

For the year ended March 31, 2012

(in Canadian dollars)

Reconciliation of Equity of Canada as at April 1, 2010 (date of transition to IFRS)

	Notes	Canadian GAAP April 1, 2010	Remeasurements	IFRS April 1, 2010
ASSETS				
Current				
Cash Entitlement		$ 2,254,865	$ —	$ 2,254,865
Trade Receivables, Net		7,000	—	7,000
Other Receivables		35,831	—	35,831
Other Assets		38,150	—	38,150
Non-Current Assets				
Property, Plant and Equipment		234,360	—	234,360
Intangible Assets		13,158	—	13,158
TOTAL ASSETS		**$ 2,583,364**	**$ —**	**$ 2,583,364**
LIABILITIES AND EQUITY OF CANADA				
LIABILITIES				
Current				
Trade and Other Payables		$ 1,807,494	$ —	$ 1,807,494
Unearned Assessments		313,652	—	313,652
Employee Benefits—Sick leave	A	—	70,211	70,211
Employee Benefits—Severance	B	33,778	—	33,778
Non-Current Liabilities				
Employee Benefits—Severance	B	428,440	(23,678)	404,762
Total Liabilities		2,583,364	46,533	2,629,897
EQUITY OF CANADA				
Accumulated Deficit		—	(46,533)	(46,533)
TOTAL LIABILITIES AND EQUITY OF CANADA		**$ 2,583,364**	**$ —**	**$ 2,583,364**

Notes to the Financial Statements

For the year ended March 31, 2012

(in Canadian dollars)

Reconciliation of Equity of Canada as at March 31, 2011

ASSETS	*Notes*	Canadian GAAP March 31, 2011	Remeasurements	IFRS March 31, 2011
Current				
Cash Entitlement		$ 2,152,537	$ —	$ 2,152,537
Trade Receivables, Net		117,790	—	117,790
Other Receivables		89,327	—	89,327
Other Assets		45,544	—	45,544
Non-Current Assets				
Property, Plant and Equipment		360,534	—	360,534
Intangible Assets		57,231	—	57,231
TOTAL ASSETS		**$ 2,822,963**	**$ —**	**$ 2,822,963**
LIABILITIES AND EQUITY OF CANADA				
LIABILITIES				
Current				
Trade and Other Payables		$ 1,942,112	$ —	$ 1,942,112
Unearned Assessments		335,612	—	335,612
Employee Benefits—Sick leave	A	—	93,333	93,333
Employee Benefits—Severance	B	32,166	—	32,166
Non-Current Liabilities				
Employee Benefits—Severance	B	513,073	(79,364)	433,709
Total Liabilities		2,822,963	13,969	2,836,932
EQUITY OF CANADA				
Accumulated Deficit		—	(13,969)	(13,969)
TOTAL LIABILITIES AND EQUITY OF CANADA		**$ 2,822,963**	**$ —**	**$ 2,822,963**

Notes to the Financial Statements

For the year ended March 31, 2012

(in Canadian dollars)

Reconciliation of Net Operating Results and Total Comprehensive Income for the year ended March 31, 2011

	Notes	Canadian GAAP March 31, 2011	Remeasurements	Presentation Differences	IFRS March 31, 2011
REVENUE					
Assessments		$ 9,782,568	$ —	$ —	$ 9,782,568
Other Revenue		160	—	—	160
TOTAL REVENUE		9,782,728	—	—	9,782,728
EXPENSES					
Salaries and Benefits	A,B	6,693,542	(32,564)	—	6,660,978
Professional Services	C	2,961,564	—	48,583	3,010,147
Accommodation		658,991	—	—	658,991
Information Management/Technology		590,290	—	—	590,290
Administrative and Other	C	569,935	—	(48,583)	521,352
Travel		141,560	—	—	141,560
Interest		46,450	—	—	46,450
TOTAL EXPENSES		**11,662,332**	**(32,564)**	—	**11,629,768**
NET RESULTS OF OPERATIONS BEFORE GOVERNMENT FUNDING AND ADMINISTRATIVE MONETARY PENALTIES		(1,879,604)	32,564		(1,847,040)
Government Funding		1,879,604	—	—	1,879,604
NET RESULTS OF OPERATIONS BEFORE ADMINISTRATIVE MONETARY PENALTIES		—	32,564		32,564
Administrative Monetary Penalties		175,000	—	—	175,000
Administrative Monetary Penalties Earned on Behalf of the Government		(175,000)	—	—	(175,000)
NET OPERATING RESULTS AND TOTAL COMPREHENSIVE INCOME		—	32,564	—	32,564

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2012

(in Canadian dollars)

Notes to the Reconciliation of Canadian GAAP to IFRS as at April 1, 2010 and March 31, 2011

A **Employee Benefits—Sick Leave**

FCAC employees earn sick leave credits at a rate of 1.25 days for each calendar month for which the employee receives pay for at least 75 hours. An employee's unused sick leave balance is carried forward until the employee departs from FCAC, at which point any unused balance cannot be redeemed for pay and FCAC's liability lapses. The plan is an accumulating, non-vesting benefit under IFRS. Accordingly, FCAC is required to record a liability for the portion of the unused sick leave that it estimates, based on experience, will be used in the future.

B **Employee Benefits—Severance**

As stated in the section entitled "IFRS exemption options," FCAC elected to recognize all cumulative actuarial gains and losses on its severance plan that existed at the transition date in opening accumulated deficit. The actuarial loss recognized during the transition year ended March 31, 2011, is recorded in the Statement of Operations and Total Comprehensive Income.

C **Presentation Differences**

Comparative figures have been reclassified to conform with the current year's presentation.

8. Trade and other receivables

The breakdown of all amounts owing to FCAC, by type, is as follows:

	Federally Regulated Financial Entities	Other	Total March 31, 2012
Trade Receivables	$ 214,623	$ —	$ 214,623
Allowance for Doubtful Accounts	(8,000)	—	(8,000)
Trade Receivables, net	206,623	—	206,623
Other			
Related Parties	—	7,440	7,440
Other Receivables	62,500	27,604	90,104
Total Other	62,500	35,044	97,544
Total	**$ 269,123**	**$ 35,044**	**$ 304,167**
% of Total Exposure	**88.5%**	**11.5%**	**100.0%**

Notes to the Financial Statements

For the year ended March 31, 2012

(in Canadian dollars)

	Federally Regulated Financial Entities	Other	Total March 31, 2011
Trade Receivables	$ 123,790	$ —	$ 123,790
Allowance for Doubtful Accounts	(6,000)	—	(6,000)
Trade Receivables, net	117,790	—	117,790
Other			
Related Parties	—	18,200	18,200
Other Receivables	—	71,127	71,127
Total Other	—	89,327	89,327
Total	**$ 117,790**	**$ 89,327**	**$ 207,117**
% of Total Exposure	**56.9%**	**43.1%**	**100.0%**

	Federally Regulated Financial Entities	Other	Total April 1, 2010
Trade Receivables	$ 16,055	$ —	$ 16,055
Allowance for Doubtful Accounts	(9,055)	—	(9,055)
Trade Receivables, net	7,000	—	7,000
Other			
Related Parties	—	13,052	13,052
Other Receivables	—	22,779	22,779
Total Other	—	35,831	35,831
Total	**$ 7,000**	**$ 35,831**	**$ 42,831**
% of Total Exposure	**16.3%**	**83.7%**	**100.0%**

FCAC records an allowance for doubtful accounts considering the age of an outstanding receivable and the likelihood of its collection. Provision is also made where collection of the receivable is doubtful based on information gathered through collection efforts. An allowance is reversed once collection of the debt is successful or the amount is written off. Impairment losses on trade receivables recognized during the period ended March 31, 2012, were $2,000 (March 31, 2011: $1,000). Recoveries during the same period totalled nil (March 31, 2011: $4,055).

A trade receivable will be considered to be impaired and written off when FCAC is certain that collection will not occur and all requirements of the *Debt Write off Regulations, 1994* have been met. During the year, no interest was earned on impaired assets and none of the past-due amounts were renegotiated. Those that are neither past due nor provided for or impaired are considered to be fully collectible.

As at March 31, the aging of non–related party trade receivables was as follows (for terms and conditions for related-party receivables, refer to Note 9):

Days outstanding	Currents	31–60	61–90	91–120	> 120	Total
March 31, 2012	$ 48,966	$ —	$ 158,672	$ —	$ 6,985	$ 214,623
March 31, 2011	$ —	$ 97,787	$ 20,003	$ —	$ 6,000	$ 123,790
April 1, 2010	$ —	$ —	$ —	$ 7,875	$ 8,180	$ 16,055

All assessments receivable and accrued assessments are recoverable from federally regulated financial entities (includes banks, trust and loan companies, life insurance companies, property and casualty insurance companies, retail associations, and payment card network operators). FCAC regulates over 375 financial entities and does not have a significant receivable from any individual financial entity.

Refer to Note 17(c) for further information on credit risk applicable to FCAC.

9. Related party transactions

a) The ultimate parent

The Government of Canada is the ultimate parent of FCAC, and has control over FCAC.

b) Compensation of key management personnel

Key management personnel includes the following positions: the Commissioner, the Deputy Commissioner and directors of FCAC. Total compensation paid to key management personnel for the year ended March 31 is provided in the table on the next page.

	2012	2011
Short-term employee benefits	$ 1,328,383	$ 1,176,103
Post-employment benefits	458,937	324,769
Other long-term benefits	20,115	17,658
Total	$ 1,807,435	$ 1,518,530
Total Number of Employees	9	7

c) Government related entities

FCAC is related, in terms of common ownership, to all Government of Canada departments, agencies and Crown corporations. FCAC enters into transactions with these entities in the normal course of business and on normal trade terms.

FCAC recorded expenses of $3,577,820 (2011: $3,347,842) and revenue of $259,994 (2011: $296,450) from transactions with other government departments during the period. Individually these transactions were in the normal course of business. Although most transactions are not individually significant, FCAC did have the following individually significant transactions:

Entity	Nature	March 31, 2012 Expense	March 31, 2011 Expense
Treasury Board	Pension contributions and other employee benefits	$ 1,452,419	$ 1,294,051
PWGSC	Accommodation, translation services and other services	1,266,817	757,595
OSFI[1]	Finance, human resources and audit services	435,490	556,197
Department of Justice	Legal services	124,453	187,941
CDIC[2]	Professional services	101,124	351,832

[1] Office of the Superintendent of Financal Institutions
[2] Canada Deposit Insurance Corporation

Entity	Nature	March 31, 2012 Payable	March 31, 2011 Payable	April 1, 2010 Payable
Treasury Board	Pension contributions and other employee benefits	$ 75,808	$ 138,421	$ 116,025
PWGSC	Accommodation, translation services and other services	19,958	18,848	226,383
OSFI	Finance, human resources and audit services	1,069	88,811	6,465
Department of Justice	Legal services	1,614	—	—
CDIC	Professional services	—	72,265	—

For the year ended March 31, 2012, the amounts of trade receivables and trade and other payables from these related parties are $7,440 (March 31, 2011: $18,200; April 1, 2010: $13,052) and $130,501 (March 31, 2011: $320,795; April 1, 2010: $351,053), respectively.

Effective 2007–2008, FCAC is entitled to receive a parliamentary appropriation as authorized under section 13(3) of the Act. The funding is to support efforts to improve financial literacy in Canada. During the year ended March 31, 2012, FCAC received an appropriation of $1,647,240 (2011: $1,799,604).

During the year, FCAC received audit services without charge from the Office of the Auditor General of Canada. This non-monetary transaction has been recorded as both an expense and government assistance revenue in the amount of $85,000 (2011: $80,000).

10. Property, plant and equipment

Cost	Leasehold improvements	Furniture and fixtures	Office equipment	Informatics hardware	Informatics software	Total
Balance at April 1, 2010	**$ 552,432**	**$ 619,663**	**$ 78,582**	**$ 201,694**	**$ 28,744**	**$ 1,481,115**
Additions	103,432	—	—	147,358	—	250,790
Disposals/transfers of assets	—	(4,443)	(31,624)	(47,109)	(8,500)	(91,676)
Balance at March 31, 2011	**655,864**	**615,220**	**46,958**	301,943	**$ 20,244**	**$ 1,640,229**
Additions	260,475	201,136	11,573	85,433	—	558,617
Disposals/transfers of assets	—	—	—	(109,076)	—	(109,076)
Balance at March 31, 2012	**$ 916,339**	**$ 816,356**	**$ 58,531**	**$ 278,300**	**$ 20,244**	**$ 2,089,770**
Accumulated depreciation						
Balance at April 1, 2010	**$ 519,980**	**$ 512,230**	**$ 63,794**	**$ 135,165**	**$ 15,586**	**$ 1,246,755**
Disposals/transfers of assets	—	(4,443)	(31,624)	(32,086)	(8,500)	(76,653)
Depreciation expense	23,564	31,909	4,914	45,157	4,049	109,593
Balance at March 31, 2011	**543,544**	**539,696**	**37,084**	**148,236**	**$ 11,135**	**$ 1,279,695**
Disposals/transfers of assets	—	—	—	(109,076)	—	(109,076)
Depreciation expense	95,181	47,713	6,843	84,585	4,049	238,371
Balance at March 31, 2012	**$ 638,725**	**$ 587,409**	**$ 43,927**	**$ 123,745**	**$ 15,184**	**$ 1,408,990**

Net book value							**Total**
Balance at April 1, 2010	$ 32,452	$ 107,433	$ 14,788	$ 66,529	$ 13,158	$	234,360
Balance at March 31, 2011	112,320	75,524	9,874	153,707	9,109		360,534
Balance at March 31, 2012	**$ 277,614**	**$ 228,947**	**$ 14,604**	**$ 154,555**	**$ 5,060**	**$**	**680,780**

None of the assets held have any restriction on title and none of the assets have been pledged as security for liabilities. As at March 31, 2012, FCAC had $940,349 of capital assets at cost that were fully amortized and still in use. These assets are near the end of their useful life and their fair value is insignificant.

11. Intangible assets

	Externally purchased software
Cost:	
Balance at April 1, 2010	**$ 102,819**
Additions	40,714
Disposals/transfers of assets	(44,432)
Balance at March 31, 2011	**$ 99,101**
Additions	26,998
Balance at March 31, 2012	**$ 126,099**
Accumulated amortization	
Balance at April 1, 2010	**$ 89,661**
Amortization	11,665
Dispositions	(59,456)
Balance at March 31, 2011	**$ 41,870**
Amortization	18,999
Balance at March 31, 2012	**$ 60,869**
Net book value:	
Balance at April 1, 2010	$ 13,158
Balance at March 31, 2011	$ 57,231
Balance at March 31, 2012	**$ 65,230**

As at March 31, 2012, FCAC had $11,100 of intangible assets at cost that were fully amortized and still in use. These assets are near the end of their useful life and their fair value is insignificant.

12. Employee benefits

a) Post-employment benefits

i) Pension benefits

Substantially all of the employees of FCAC are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and FCAC. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contributions. The general contribution rate effective at the end of the period was 12.345% (2011: 12.107%). Total contributions of $690,462 (2011: $600,644) were recognized as expense in the current period.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Quebec Pension Plan benefits and they are indexed to inflation.

ii) Severance benefits

Information about FCAC's severance benefit plan is presented in the table below.

	March 31, 2012	March 31, 2011
Accrued Benefit Obligation, beginning of the year	**$ 465,875**	**$ 438,540**
Current service cost	65,911	57,325
Interest cost	18,801	25,696
Benefits paid	(229,180)	—
Curtailment loss	67,906	—
Actuarial (gain)/loss	41,227	(55,686)
Accrued Benefit Obligation, end of the year[1]	**430,540**	**465,875**
Current Portion of Accrued Benefit Obligation, end of the year	18,271	32,166
Long-Term Portion of Accrued Benefit Obligation, end of the year	412,269	433,709
Accrued Benefit Obligation, end of the year[1]	**430,540**	**465,875**
Net Benefit Plan Expense		
Current service cost	65,911	57,325
Interest cost	18,801	25,696
Curtailment loss	67,906	—
Actuarial (gain) loss recognized	41,227	(55,686)
Benefit Expense	**$ 193,845**	**$ 27,335**

[1] The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue, outlined in Note 5(i) to the Financial Statements. Amounts collected in excess of benefits paid are presented on the Statement of Financial Position under the heading of Cash Entitlement.

Cumulative actuarial gain recorded in income since April 1, 2010, the date of FCAC's transition to IFRS, is $14,459 (2011: $55,686).

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 4.11% (March 31, 2011: 4.85%; April 1, 2010: 5.50%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2012, is an annual economic increase of 1.5% for the plan year 2013 and 2.0% for 2014 (2011: 1.5% for the plan years 2012 and 2013, and 2.5% for 2014; 2010: 1.5% for the plan years 2011 and 2012). Thereafter, an annual economic increase of 1.5% is assumed (2011: 1.5%; 2010: 2%). The average remaining service period of active employees covered by the benefit plan is 14 years (2011: 14 years; 2010: 14 years).

Amounts for the current and previous two periods are as follows:

	Employee Benefits—Severance		
	March 31, 2012	**March 31, 2011**	**April 1, 2010**
Defined benefit obligation	$ 430,540	$ 465,875	$ 438,540
Experience adjustments on plan liabilities	$ 41,227	$ (55,686)	—

FCAC has adopted these disclosure requirements prospectively from the date of transition to IFRS.

Curtailment

Effective September 30, 2011, FCAC modified its severance plan. All Executive-level employees cease accumulating benefits under the severance plan effective October 1, 2011. Employees within this group have three options with respect to the benefits accumulated under this plan. They can choose to take the severance earned to date immediately as a cash payment, continue to defer payment until retirement or voluntary departure, or select a combination of the two options. The curtailment loss of $67,906 is the expected additional cost to FCAC as a result of curtailing this plan. The curtailment loss represents the difference between the present value of the obligation if all employees deferred payment until retirement and the expected cash settlement value.

Sensitivity analysis

The discount rate used to estimate the present value of the severance benefit obligation has a significant effect on the obligation at the end of the year, as well as on the current service and interest costs. A 1.0 percent change in the discount rate would have had the following effects for 2012:

Change in discount rate of 1.0%	**Increase**	**Decrease**
Projected current service and interest costs	$ (753)	$ 11,638
Accrued benefit obligation	$ (44,795)	$ 54,226

These sensitivities are hypothetical and should be used with caution. The relationship of a change in assumption to the change in value may not be linear. Changes in one factor may result in changes in another, which may magnify or counteract the sensitivities.

b) Other long-term benefits

iii) Sick leave

Information about FCAC's sick leave plan is presented in the table below.

	March 31, 2012	March 31, 2011
Accrued Benefit Obligation, beginning of the year	**$ 93,333**	**$ 70,211**
– Current service cost	16,396	15,444
– Interest cost	3,249	3,729
– Benefits paid	(71,240)	(7,305)
Actuarial (gain)/loss	194,212	11,254
Accrued Benefit Obligation, end of the year[1]	**235,950**	**93,333**
Net Benefit Plan Expense		
Current service cost	16,396	15,444
Interest cost	3,249	3,729
Actuarial (gain) loss recognized	194,212	11,254
Benefit Expense	**$ 213,857**	**$ 30,427**

[1] The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue, outlined in Note 5(i) to the Financial Statements. Amounts collected in excess of benefits paid are presented on the Statement of Financial Position under the heading of Cash Entitlement.

Annually, as at March 31 of each year, FCAC obtains an actuarial valuation of its accrued benefit obligation. Actuarial assumptions are reviewed at each valuation date. Cumulative actuarial losses recorded in income since April 1, 2010, the date of FCAC's transition to IFRS, are $205,466 (2011: $11,254).

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 4.13% (March 31, 2011: 4.85%; April 1, 2010: 5.10%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2012, is an annual economic increase of 1.5% for the plan year 2013, 2.0% for 2014 (2011: 1.5% for the plan years 2012 and 2013 inclusively and 2.5% for 2014; 2010: 1.5% for the plan years 2011 and 2012 inclusively). Thereafter, an annual economic increase of 1.5% is assumed (2011: 1.5%; 2010: 2.0%). The average remaining service period of active employees covered by the benefit plan is 14 years (2011: 14 years; 2010: 14 years).

Amounts for the current and previous two periods are as follows:

	Employee Benefits—Sick Leave		
	March 31, 2012	**March 31, 2011**	**April 1, 2010**
Defined benefit obligation	$ 235,950	$ 93,333	$ 70,211
Experience adjustments on plan liabilities	$ 194,212	$ 11,254	$ —

FCAC has adopted these disclosure requirements prospectively from the date of transition to IFRS.

Sensitivity analysis

The discount rate and sick leave usage rate used to estimate the present value of the sick leave obligation has a significant effect on the obligation at the end of the year, as well as on the current service and interest costs. A 1.0 percent change in the discount rate or the sick leave usage rate would have had the following effects for 2012.

Change in discount rate of 1.0%	**Increase**	**Decrease**
Projected current service and interest costs	$ 202	$ 3,057
Accrued benefit obligation	$ (23,337)	$ 28,197

Change in usage rate of 1.0%	**Increase**	**Decrease**
Projected current service and interest costs	$ 3,604	$ (623)
Accrued benefit obligation	$ 10,726	$ (10,724)

These sensitivities are hypothetical and should be used with caution. The relationship of a change in assumption to the change in value may not be linear. Changes in one factor may result in changes in another, which may magnify or counteract the sensitivities.

13. Administrative monetary penalties

Administrative monetary penalties levied by FCAC are remitted to the Consolidated Revenue Fund. The funds are not available to FCAC and, as a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

In the year ended March 31, 2012, FCAC levied $212,500 (2011: $175,000) in administrative monetary penalties.

14. Operating lease arrangements and other commitments

Minimum lease payments under operating leases recognized as an expense during the period were $1,326,817 (2011: $1,435,355).

FCAC has entered into operating lease agreements for office space and office equipment, and contracts for services. These leases have an average life of between two and five years, with no renewal option included in the contracts. There are no restrictions placed upon FCAC when entering into these leases. The minimum aggregate annual payments for future fiscal years are as follows:

Amounts for the current and previous two periods are as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Within one year	$ 1,194,551	$ 1,163,432	$ 1,269,851
After one year but not more than five years	1,842,112	3,185,340	4,881,347
More than five years	—	—	—
Total	**$ 3,036,663**	**$ 4,348,772**	**$ 6,151,198**

15. Human resources expense

	2012	2011
Salaries and wages	$ 5,422,582	$ 5,110,000
Other benefits	1,120,605	902,922
Post-employment benefits other than severance	695,264	605,607
Severance benefits	193,845	27,335
Other personnel costs	140,550	15,114
Total Human Resources Expense	**$ 7,572,846**	**$ 6,660,978**

16. Fair value

Due to their short-term nature, the carrying values of FCAC's financial instruments approximate their fair values.

17. Financial risk management

FCAC's financial liabilities include Trade and Other Payables, and Unearned Assessments. The main purpose of these liabilities is to provide short-term financing for FCAC's operations. Financial assets include Cash Entitlement, Trade Receivables and Other Receivables.

Notes to the Financial Statements

For the year ended March 31, 2012

(in Canadian dollars)

FCAC is exposed to market risk, credit risk and liquidity risk in connection with financial instruments. FCAC's risk exposures and its processes to manage these risks did not change significantly during the years ended March 31, 2012, and March 31, 2011.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. FCAC is exposed to currency risk on any amounts payable that are to be settled in a currency other than the Canadian dollar, and is exposed to interest rate risk as discussed below. FCAC is not exposed to other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. FCAC's exposure to the risk of changes in foreign exchange rates relates primarily to the Agency's operating activities (when revenues or expenses are denominated in a currency other than the Canadian dollar).

FCAC manages its exposure to currency risk by structuring its contracts in Canadian dollars wherever possible. The majority of FCAC's transactions are denominated in Canadian dollars; consequently, FCAC's exposure to currency risk is insignificant.

There is no impact to revenue since all billings are done in Canadian dollars.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FCAC's exposure to the risk of market interest rates relates primarily to FCAC's loans payable with floating interest rate as determined by the Department of Finance Canada. As all amounts borrowed are required to be repaid by March 31 of any fiscal year, FCAC is not exposed to interest rate risk at the year-end date. FCAC attempts to reduce the borrowings necessary by effectively forecasting its required cash flows from assessments from financial entities. FCAC is not authorized to enter into any arrangements in order to reduce its exposure to interest rate risk.

The table below demonstrates the sensitivity of FCAC's operating expenses to a one-percentage-point fluctuation in market interest rates, with all other variables held constant.

	Fluctuation in Interest Rate	Effect on Expenses
March 31, 2012	+1%	$ 46,247
	-1%	(46,247)
March 31, 2011	+1%	$ 38,630
	-1%	(38,630)

c) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument, resulting in a financial loss for FCAC. The maximum exposure FCAC has to credit risk as at March 31, 2012, is $304,167 (March 31, 2011: $207,117; April 1, 2010: $42,831), which is equal to the carrying value of its Trade Receivables and Other Receivables.

All federally regulated financial entities are required to register with FCAC and pay the assessments as established by FCAC. Any loss incurred by FCAC as a result of a counterparty's not meeting its obligations is recorded in the year incurred and collected in the following year, as outlined in the *Financial Consumer Agency of Canada Act*. All remaining receivables are with other government organizations, where there is minimal potential risk of loss. FCAC does not hold collateral as security.

d) Liquidity risk

Liquidity risk is the risk that FCAC will encounter difficulty in meeting obligations associated with financial liabilities. FCAC's objective is to maintain sufficient Cash Entitlement through collection of assessments and fees in order to meet its operating requirements. FCAC manages liquidity risk through a detailed annual planning and billing process, which is structured to allow for sufficient liquidity from one billing period to the next. FCAC's objective is to accurately estimate its operating costs for the year in order to accurately estimate the assessments and fees to be collected from federally regulated financial entities.

FCAC's policy is to satisfy liabilities by the following means (in decreasing order of priority):

- Cash Entitlement
- Borrowings from the Consolidated Revenue Fund

The table on the next page summarizes the maturity profile of FCAC's financial liabilities at March 31, 2012, March 31, 2011, and April 1, 2010, based on contractual undiscounted payments. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which FCAC can be required to pay. When amounts are due in instalments, each instalment is allocated to the earliest period in which FCAC can be required to pay.

Notes to the Financial Statements

For the year ended March 31, 2012

(in Canadian dollars)

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	March 31, 2012 Total
Trade and Other Payables	$ 311,933	$ 679,857	$ 304,290	$ —	$ —	$ 1,296,080
Unearned Assessments	—	—	597,346	—	—	597,346
Total	**$ 311,933**	**$ 679,857**	**$ 901,636**	**$ —**	**$ —**	**$ 1,893,426**

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	March 31, 2011 Total
Trade and Other Payables	$ 293,493	$ 1,366,881	$ 281,740	$ —	$ —	$ 1,942,114
Unearned Assessments	—	—	335,612	—	—	335,612
Total	**$ 293,493**	**$ 1,366,881**	**$ 617,352**	**$ —**	**$ —**	**$ 2,277,726**

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	April 1, 2010 Total
Trade and Other Payables	$ 201,703	$ 1,352,060	$ 253,731	$ —	$ —	$ 1,807,494
Unearned Assessments	—	—	313,652	—	—	313,652
Total	**$ 201,703**	**$ 1,352,060**	**$ 567,383**	**$ —**	**$ —**	**$ 2,121,146**

Balances due within 12 months equal their carrying amounts, as the impact of discounting is insignificant.

By December 31 of each year, the Commissioner must determine the total expenses incurred by the Agency during the preceding fiscal year for, or in connection with, the administration of the *Financial Consumer Agency of Canada Act* and the consumer provisions. The Commissioner then assesses each federally regulated financial entity a portion of these expenses, as determined by regulation or the financial assessment methodology of payment card network operators. Interim assessments are also possible. To temporarily fund expenses until entities are assessed, before March 31 of each year, the Agency must seek Ministerial authority to borrow from the Consolidated Revenue Fund for the next fiscal year, up to a predetermined limit. The authority to borrow from the Consolidated Revenue Fund is granted under section 13 of the *Financial Consumer Agency of Canada Act*. For the year ended March 31, 2012, the Minister has approved up to $10,000,000 (March 31, 2011: $8,000,000). All amounts borrowed must be repaid within one year. The Agency pays interest on the funds borrowed as described under "Interest rate risk."

As at March 31, 2012 FCAC used nil of this facility.

Refer to Note 1 for further information on FCAC's authority.

18. Government funding

Effective 2007–2008, FCAC is entitled to receive a parliamentary appropriation as authorized under section 13(3) of the Act. The funding is to support efforts to improve financial literacy in Canada. During the year ended March 31, 2012, FCAC received an appropriation of $1,647,240 (2011: $1,799,604).

During the year, FCAC received audit services without charge from the Office of the Auditor General of Canada. This non-monetary transaction has been recorded as both an expense and government assistance revenue in the amount of $85,000 (2011: $80,000).

19. Equity of Canada

Accumulated Deficit: $46,533 of Accumulated Deficit was created as part of FCAC's transition to IFRS from Canadian generally accepted accounting principles on April 1, 2010. This balance was reduced by $32,564 as a result of operations during the year ended March 31, 2011, under IFRS. The balance has not changed since the transition to IFRS.

Capital Management: FCAC includes its Accumulated Deficit entitled "Equity of Canada," in its definition of capital. FCAC is prohibited from issuing its own capital or its own debt to meet any capital requirements. FCAC operates on a cost recovery basis. Its objective when managing capital is to closely manage actual costs to those estimated and communicated to its paying stakeholders. Any operating shortfall or excess is factored into the assessments and fees charged to regulated entities in the following year. FCAC fully recovered all of its costs incurred in the reporting year.

FCAC is not subject to any externally imposed capital requirement.

FCAC did not change its capital management objectives, policies or processes during the years ended March 31, 2012, and March 31, 2011.

HOW TO REACH US

We welcome your questions and feedback. FCAC offers a variety of publications, information and interactive tools for consumers.

Website	**fcac.gc.ca**
Telephone (toll-free)	**1-866-461-3222**
(Consumer Services Centre)	
From the Ottawa area or from outside Canada	**613-996-5454**
TTY (toll-free)	**1-866-914-6097**
(for persons with hearing impairment)	
From the Ottawa area or from outside Canada	**613-947-7771**
Fax (toll-free)	**1-866-814-2224**
From the Ottawa area or from outside Canada	**613-941-1436**
Email	**info@fcac.gc.ca**
Address	**Financial Consumer Agency of Canada** Enterprise Building 427 Laurier Avenue West Ottawa, Ontario K1R 1B9

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